

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

GENERAL INFORMATION

Members of the Council:

ST Sthonga	Mayor
MC Kivedo	Speaker
CJ Louw	Member of Executive Committee
NP Mkontwana	Member of Executive Committee
RR Faul	Member
WJ Du Plessis	Member
PD Van Wyk	Member
LE Andrews	Member
SJ Hoffman	Member
L Billie	Member
MO Maramba	Member
PP Mhlauli	Member
D Vanel	Member
HJ Rust	Member
PN Bushula	Member

Municipal Manager: I Visser

Chief Financial Officer: MF Manuel

Grading of Local Authority: Grade 2

Auditors: Auditor-General

Bankers: ABSA Bank Limited

Registered Office: 45 Dr. Pixley-ka-Seme Drive
De Aar
7000

Physical address: 45 Dr. Pixley-ka-Seme Drive
De Aar
7000

Postal address: P.O. Box 42
De Aar
7000

Telephone number: (053) 632 9100

Fax number: (053) 631 0105

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 87, in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors, loans made to Councilors, if any, and payments made to Councilors for loss of office, if any, as disclosed in Note 33 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance



Municipal Manager: I Visser

31 October 2020

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Emthanjeni Local Municipality at 30 June 2020.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2019/2020 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2020 indicates a decrease in Net Assets, a increase in Non-current Liabilities and an increase in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of a smaller provision relating to the rehabilitation of landfill sites and the settlement of long-term liabilities. The increase in Current Liabilities is primarily as a result of the increase in trade payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

2.1 Financial Statement Ratios:

Indicator	2020	2019
Surplus / (Deficit) before Appropriations	(36,367,832)	(89,744,706)
Surplus / (Deficit) at the end of the Year	(36,367,832)	(89,744,706)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	27.80%	24.47%
Remuneration of Councilors	1.84%	1.65%
Operating Lease Expenditure	1.33%	0.03%
Depreciation and Amortisation	16.14%	15.81%
Impairment Losses	15.31%	18.84%
Repairs and Maintenance	2.60%	3.74%
Interest Paid	1.26%	4.28%
Bulk Purchases	22.56%	18.79%
Contracted Services	0.00%	0.00%
Grants and Subsidies Paid	0.00%	0.00%
General Expenses	11.08%	12.17%
Loss on Disposal of Property, Plant and Equipment	0.06%	0.24%
Loss on Sale of Land	0.00%	0.00%
Current Ratio:		
Trade Creditors Days	362	267
Debtors from Exchange Transactions Days	107	79

The ratio for Debtors Days, calculated on net Debtors, fluctuated from that of the previous financial year, due to debtors being written off in the 2019 year.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

2.2 Performance Indicators:

Indicator	2020	2019
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	22.39%	18.82%
Outstanding Service Debtors to Revenue	29.19%	21.77%
Liquidity Management:		
Liquidity Ratio	0.89	1.00
Liability Management:		
Capital Cost as percentage of Own Revenue	0.21%	1.24%
Borrowed Funding as percentage of Own Capital Expenditure	0.00%	206.83%
Borrowing as percentage of Total Capital Assets	0.00%	2.56%
Safety of Capital:		
Gearing	89.30%	100.22%
Financial Viability:		
Debt Coverage	0.11%	4.39%

2. KEY FINANCIAL INDICATORS (continued)

Indicator	2020	2019
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	(660.54)	5.39
Capital Expenditure on Infrastructure to Total Capital Expenditure	69.29%	95.87%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

The services offered by Emthanjeni Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2020 are as follows:

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income:					
Opening surplus / (deficit)	676,837,352	764,493,694	11.47%	715,139,452	5.36%
Operating income for the year	274,483,927	244,035,426	(12.48)%	305,162,913	10.05%
	951,321,279	1,008,529,120		1,020,302,364	
Expenditure:					
Operating expenditure for the year	(310,851,760)	(333,780,132)	6.87%	(237,320,463)	(30.98)%
Sundry transfers	-	2,088,364	100.00%	-	-
Closing surplus / (deficit)	(640,469,520)	(676,837,352)	5.37%	(782,981,901)	18.20%
	(951,321,279)	(1,008,529,120)		(1,020,302,364)	

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the Municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income	100,835,113	87,533,769	(15.20)%	91,764,088	(9.89)%
Expenditure	(131,656,297)	(144,122,497)	8.65%	(140,142,994)	6.06%
Surplus / (Deficit)	(30,821,184)	(56,588,728)		(48,378,906)	
Surplus / (Deficit) as % of total income	(30.57)%	(64.65)%		(52.72)%	

3.2 Housing Services:

Housing Services are services rendered by the Municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income	713,648	713,279	(0.05)%	49,214	(1350.09)%
Expenditure	(3,645,431)	(3,235,158)	(12.68)%	(2,951,410)	(23.51)%
Surplus / (Deficit)	(2,931,783)	(2,521,879)		(2,902,196)	
Surplus / (Deficit) as % of total income	(410.82)%	(353.56)%		(5897.09)%	

3. OPERATING RESULTS (continued)

Variance from 2020 budget:

The municipality under budgeted for this grant received, as there is no formal indication for the municipality to go by to sufficiently budget for this. There is also a difference in respect to Expenditure as a result of the depreciation expense, which is not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17.

Variance from 2019 actual:

The municipality under budgeted for the expenditure in this department.

3.3 Waste Management Services:

Waste Management Services are services rendered by the Municipality for the collection, disposal and purifying of waste (refuse and

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income	33,410,927	32,986,928	(1.29)%	53,631,185	37.70%
Expenditure	(41,060,733)	(42,766,145)	3.99%	(27,314,817)	(50.32)%
Surplus / (Deficit)	(7,649,806)	(9,779,217)		26,316,368	
Surplus / (Deficit) as % of total income	(22.90)%	(29.65)%		49.07%	

Variance from 2020 budgeted:

The municipality did not budget for the unspent grant at previous yearend being refunded in the 2020 year, this resulted in the over budgeting of the income. The reason for the significant difference in the expenditure is due to the difference between the accounting and budgeting for depreciation

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R67 610 105 (2019: 60 071 589). Tariffs levied for electricity are subject to administered adjustments.

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income	86,347,790	82,329,564	(4.88)%	101,434,791	14.87%
Expenditure	(112,485,327)	(102,408,849)	(9.84)%	(92,428,394)	(21.70)%
Surplus / (Deficit)	(26,137,537)	(20,079,285)		9,006,397	
Surplus / (Deficit) as % of total income	(30.27)%	(24.39)%		8.88%	

Variance from 2020 budget:

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17. The municipality budgets for its free basic services as expenditure, resulting in a further variance.

3.5 Water Services:

Water is bought in bulk from various sources and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R2 516 041 (2019: R2 634 043). Tariffs levied for water are subject to administered adjustments.

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Income	53,176,449	40,471,886	(31.39)%	65,082,094	18.29%
Expenditure	(22,003,972)	(40,059,442)	45.07%	(38,773,247)	43.25%
Surplus / (Deficit)	31,172,477	412,443		26,308,847	
Surplus / (Deficit) as % of total income	58.62%	1.02%		40.42%	

Variance from 2020 budget:

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17. The municipality also did not budget for unspent grants at the end of the previous year to be refunded in the current year. The municipality budgets for its free basic services as expenditure, resulting in a further variance.

Variance from 2019 actual:

The municipality received less water related grant money in the current year and better expenditure management resulted in less expenditure in the current year in comparison with that of last. The municipality did not budget for unspent grant as at the end of 2019 to be refunded.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R33 840 390 (2019: R23 240 443). Full details of Assets are disclosed in Notes 7, 8, 9, 10 and Appendices B, C and E (4) to the Annual Financial Statements.

The capital expenditure of R33 840 390 was financed as follows:

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Grants and Subsidies	33,767,732	22,358,722	(51.03)%	43,537,150	22.44%
Own Funds (Accumulated Surplus)	72,658	287,367	74.72%	1,954,790	96.28%
Borrowings	-	594,355	100.00%	12,000,000	100.00%
	33,840,390	23,240,443		57,491,940	

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

Source of funding as a percentage of Total Capital Expenditure:

Details	2020	2019
Grants and Subsidies	99.79%	96.21%
Own Funds (Accumulated Surplus)	0.21%	1.24%
Borrowings	-	2.56%
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies, as well as external loans (finance leases) as the Municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

Details	2020	2019
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	67,842,450	33,446,300
Revenue variances	(30,678,986)	(33,846,548)
Expenditure variances:		
Employee Related Costs	(4,119,497)	1,195,307
Remuneration of Councilors	911,904	313,114
Operating Lease Expenses	(4,147,119)	(85,075)
Depreciation and Amortisation	(39,996,598)	(43,158,418)
Impairment Losses	(40,179,759)	(55,898,371)
Repairs and Maintenance	(815,014)	9,410,277
Finance Costs	(1,884,883)	(12,848,759)
Bulk Purchases	1,203,038	2,108,564
Contracted Services	21,156,223	10,251,800
Grants and Subsidies Paid	1,913,000	-
General Expenses	(7,364,601)	177,629
Loss on other operations	(1,519)	(808,936)
Loss on Disposal of Property, Plant and Equipment	(201,723)	-
Loss on Sale of Land	(4,750)	(1,589)
Actual surplus before appropriations	(36,367,832)	(89,744,706)

5. RECONCILIATION OF BUDGET TO ACTUAL (continued)

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

Details	2020	2019
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	67,842,450	33,446,300
Executive and Council	7,428,141	(8,725,092)
Finance and Administration	(565,973)	(4,897,077)
Planning and Development	(19,143,539)	(12,332,451)
Health	(4,348)	127,299
Community and Social Services	(4,078,566)	(4,982,347)
Public Safety	(1,229,599)	13,415,146
Sports and Recreation	(7,786,317)	302,241
Road Transport	11,924,684	4,700,446
Other	1,051,298	(652,387)
Housing Services	(479,587)	(195,157)
Waste Management	(21,493,388)	(3,166,428)
Waste Water Management	(12,922,786)	(20,100,683)
Electricity	(39,163,934)	(27,103,611)
Water	(17,746,370)	(59,580,905)
Actual surplus before appropriations	(36,367,832)	(89,744,706)

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

5.2 Capital Budget:

Details	Actual 2020 R	Actual 2019 R	Percentage Variance %	Budgeted 2020 R	Variance Actual / Budgeted %
Executive and Council	5,775	612,811	99.06%	-	#DIV/0!
Finance and Administration	16,665	45,384	63.28%	900,000	98.15%
Planning and Development	568,374	786,815	27.76%	-	-
Community and Social Services	24,978	117,979	78.83%	600,000	95.84%
Public Safety	-	15,652	100.00%	600,000	100.00%
Sports and Recreation	10,320,248	7,252	100.00%	7,994,000	(29.10)%
Road Transport	2,347,368	9,027,249	74.00%	19,867,940	88.19%
Other	-	21,384	-	-	-
Housing Services	-	-	100.00%	450,000	-
Waste Management	-	8,157	100.00%	150,000	100.00%
Waste Water Management	-	2,257	100.00%	300,000	100.00%
Electricity	1,378,698	3,830,738	64.01%	4,020,000	65.70%
Water	19,178,283	8,764,765	(118.81)%	22,610,000	15.18%
	33,840,390	23,240,444		57,491,940	

Details of the results per segmental classification of capital expenditure are included in Appendix C and in Appendix E (4).

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2020 amounted to R640 468 657 (2019: R676 837 352) and is made up as follows:

Capital Replacement Reserve	2,252,793
Accumulated Surplus	638,215,864
	<u>640,468,657</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 22 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2020 was R240 852 (2019: R1 531 183).

Refer to Note 19 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Non-Current portion of Employee Benefit Liabilities amounted to R21 404 001 as at 30 June 2020 (2019: R28 045 357) and is made up as follows:

Post-retirement Health Care Benefits Liability	17,138,001
Long Service Awards Liability	4,266,000
	<u>21,404,001</u>

Current portion of Employee Benefit Liabilities amounted to R1 929 000 as at 30 June 2020 (2019: R1 835 467) and is made up as follows:

Post-retirement Health Care Benefits Liability	(1,324,000)
Long Service Awards Liability	(605,000)
	<u>(1,929,000)</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 20 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R51 656 159 as at 30 June 2020 (2019: R55 674 168) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	51,656,159
	<u>51,656,159</u>

These provisions are made in order to enable the Municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 21 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R172 121 143 as at 30 June 2020 (2019: R144 029 982) and is made up as follows:

Consumer Deposits	Note 13	2,518,499
Payables from Exchange Transactions	Note 14	134,647,323
Payables from Non-exchange Transactions	Note 15	3,058,942
Unspent Conditional Grants and Receipts	Note 16	7,789,129
Bank Overdraft	Note 5	21,972,581
Current Portion of Long-term Liabilities	Note 18	240,852
Current Portion of Long-term Liabilities	Note 18	1,929,000
		<u>172,156,326</u>

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R719 437 107 as at 30 June 2020 (2019: R744 437 107).

Refer to Note 7 and Appendices "B, C and E (4)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R49 711 as at 30 June 2020 (2019: R101 890).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R5 718 600 as at 30 June 2020 (2019: R5 718 600).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 9 and Appendix "B" for more detail.

14. HERITAGE ASSETS

The net value of Heritage Assets were R6 959 273 as at 30 June 2020 (2019: R6 959 273).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 10 and Appendix "B" for more detail.

15. NON-CURRENT INVESTMENTS

The Municipality held Investments to the value of R27 690 as at 30 June 2020 (2019: R29 209).

Refer to Note 11 for more detail.

16. LONG-TERM RECEIVABLES

Long-term Receivables of R0 at 30 June 2020 (2019: R10) is made up as follows:

Other Loans	-
	-
Less: Short-term portion included in Current Assets	-
	-

Refer to Note 12 for more detail.

17. CURRENT ASSETS

Current Assets amounted R153 737 461 as at 30 June 2020 (2019: R144 350 704) and is made up as follows:

Inventories	Note 2	58,541,109
Receivables from Exchange Transactions	Note 3	40,221,807
Receivables from Non-exchange Transactions	Note 4	21,244,677
Cash and Cash Equivalents	Note 5	21,764,106
VAT Receivable	Note 17	11,965,763
		<u>153,737,461</u>

The increase in the amount for Current Assets is mainly due to the increased amount for Receivables from Non-exchange Transactions in respect of fines accounted for in accordance with GRAP 23.

Refer to the indicated Notes for more detail.

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

18. INTER-GOVERNMENTAL GRANTS

The Municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 17 and 27, and Appendix "F" for more detail.

19. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 62.

20. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councilors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 October 2020

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

		Actual	
	Note	2020	2019
		R	Restated R
ASSETS			
Current Assets		153,737,461	144,350,704
Inventories	2	58,541,109	58,246,293
Receivables from Exchange Transactions	3	40,221,807	27,678,565
Receivables from Non-exchange Transactions	4	21,244,677	18,248,300
Cash and Cash Equivalents	5	21,764,106	35,430,721
VAT Receivable	17	11,965,763	4,742,283
Current Portion of Operating Lease Receivables	6	-	4,542
Non-Current Assets		731,948,544	757,253,562
Property, Plant and Equipment	7	719,193,271	744,437,107
Intangible Assets	8	49,711	101,890
Investment Property	9	5,718,600	5,718,600
Heritage Assets	10	6,959,273	6,959,273
Non-current Investments	11	27,690	29,209
Long-term Receivables	12	-	10
Operating Lease Receivables	6	-	7,473
Total Assets		885,686,005	901,604,266
LIABILITIES			
Current Liabilities		172,156,326	144,029,982
Consumer Deposits	13	2,518,499	2,414,796
Payables from Exchange Transactions	14	134,647,323	88,642,766
Payables from Non-exchange Transactions	15	3,058,942	3,189,968
Unspent Conditional Grants and Receipts	16	7,789,129	29,309,656
Bank Overdraft	5	21,972,581	18,397,223
Current Portion of Long-term Liabilities	18	240,852	240,845
Current Portion of Employee Benefit Liabilities	19	1,929,000	1,834,729
Non-Current Liabilities		73,060,160	80,736,932
Long-term Liabilities	18	-	1,290,339
Employee Benefit Liabilities	19	21,404,001	23,772,426
Non-current Provisions	20	51,656,159	55,674,167
Total Liabilities		245,216,485	224,766,914
Total Assets and Liabilities		640,469,520	676,837,352
NET ASSETS		640,469,520	676,837,352
Accumulated Surplus / (Deficit)	21	640,469,520	676,837,352
Total Net Assets		640,469,520	676,837,352

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

		Actual	
	Note	2020	2019
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	22	38,685,708	33,191,190
Property Rates - Penalties imposed and collection charges	23	795,393	561,272
Fines	23	8,390,815	13,631,692
Government Grants and Subsidies Received	25	87,604,854	68,650,878
Revenue from Exchange Transactions			
Service Charges	26	131,299,585	120,808,959
Licenses and Permits	27	698,713	1,281,203
Rental of Facilities and Equipment	28	775,239	842,017
Interest Earned - External Investments	29	1,813,555	1,954,749
Interest Earned - Outstanding Debtors	29	1,776,613	1,506,328
Other Revenue	30	2,643,452	1,494,826
Gains on Other Operations	41	-	112,313
Total Revenue		<u>274,483,927</u>	<u>244,035,426</u>
EXPENDITURE			
Employee Related Costs	32	86,432,105	81,663,841
Remuneration of Councilors	33	5,719,058	5,502,117
Operating Lease Expenses	34	4,147,119	85,075
Depreciation and Amortisation	35	50,171,470	52,757,352
Impairment Losses	36	47,600,758	62,899,314
Repairs and Maintenance	37	8,074,853	12,470,616
Finance Costs	38	3,923,099	14,277,284
Bulk Purchases	39	70,126,146	62,705,633
General Expenses	40	34,449,161	40,608,375
Losses on Other Operations	41	1,519	-
Loss on Disposal of Property, Plant and Equipment	42	201,723	808,936
Loss on Sale of Land	31	4,750	1,589
Total Expenditure		<u>310,851,760</u>	<u>333,780,132</u>
SURPLUS / (DEFICIT) FOR THE YEAR		<u>(36,367,832)</u>	<u>(89,744,706)</u>
Refer to Budget Statement for explanation of budget variances			

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
2019	R	R	R	R
Balance at 1 July 2018	2,252,793	762,240,038	764,492,831	764,493,694
Prior Period Error (Note 45)		2,088,364	2,088,364	2,088,364
Restated Balance	2,252,793	764,328,402	766,581,195	766,582,058
Surplus / (Deficit) for the year	-	(89,744,706)	(89,744,706)	(89,744,706)
Balance at 30 June 2019	2,252,793	674,583,696	676,836,489	676,837,352
2020				
Restated Balance at 1 July 2019	2,252,793	674,583,696	676,836,489	676,837,352
Surplus / (Deficit) for the year	-	(36,367,832)	(36,367,832)	(36,367,832)
Balance at 30 June 2020	2,252,793	638,215,864	640,468,657	640,469,520

Details on the movement of the Funds and Reserves are set out in Note 22.

EMTHANJENI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

		Actual	
	Note	2020	2019
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		123,501,417	131,427,493
Government Grant and Subsidies		66,084,328	94,955,000
Interest Received		1,813,555	1,954,749
Payments			
Employee Related Costs		(87,847,590)	(81,306,494)
Remuneration of Councilors		(5,719,058)	(5,502,117)
Interest Paid		(7,941,109)	(5,539,842)
Suppliers Paid		(71,973,527)	(95,411,916)
NET CASH FLOWS FROM OPERATING ACTIVITIES	48	<u>17,918,016</u>	<u>40,576,873</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(33,845,139)	(23,240,441)
Purchase of Intangible Assets	7	(24,518)	(33,110)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(33,869,657)</u>	<u>(23,273,551)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	18	-	594,355
Repayment of Borrowings	18	(1,290,332)	(3,807,848)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(1,290,332)</u>	<u>(3,213,493)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(17,241,974)</u>	<u>14,089,829</u>
Cash and Cash Equivalents at Beginning of Period	5	17,033,497	2,943,668
Cash and Cash Equivalents at End of Period	5	(208,475)	17,033,497

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

2020

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	483,956	58,009,100	58,493,056	-	-	58,493,056	58,541,109	-	48,052	11996.36%	0.08%
Receivables from Exchange Transactions	62,218,099	5,968	62,224,067	-	-	62,224,067	40,221,807	-	(22,002,260)	(1.21)%	(1.22)%
Receivables from Non-exchange Transactions			-	-	-	-	21,244,677	-	21,244,677		
Cash and Cash Equivalents	8,566,666	3,090,815	11,657,481	-	-	11,657,481	21,764,106	-	10,106,625	154.06%	86.70%
VAT Receivable		-	-	-	-	-	11,965,763	-	11,965,763	#DIV/0!	100.00%
Current Portion of Operating Lease Receivables	4,642		4,642	-	-	4,642	-	-	(4,642)	(100.00)%	(100.00)%
Non-Current Assets											
Property, Plant and Equipment	831,416,413	(15,173,311)	816,243,101	-	-	816,243,101	719,193,271	-	(97,049,831)	(13.50)%	(11.89)%
Intangible Assets	393,657	(201,890)	191,766	-	-	191,766	49,711	-	(142,055)	(87.37)%	(74.08)%
Investment Property	79,364,845	(73,646,245)	5,718,600	-	-	5,718,600	5,718,600	-	0	(92.79)%	0.00%
Heritage Assets			-	-	-	-	6,959,273	-	6,959,273	#DIV/0!	#DIV/0!
Non-current Investments	29,214		29,214	-	-	29,214	27,690	-	(1,524)	(5.22)%	(5.22)%
Long-term Receivables	1,507		1,507	-	-	1,507	-	-	(1,507)	(100.00)%	(100.00)%
Operating Lease Receivables	7,585		7,585	-	-	7,585	-	-	(7,585)	(100.00)%	(100.00)%
Total Assets	982,486,583	(27,915,563)	954,571,020	-	-	954,571,020	885,686,005	-	(68,885,015)		
Current Liabilities											
Consumer Deposits	2,557,168	-	2,557,168	-	-	2,557,168	2,518,499	-	(38,669)	(1.51)%	(1.51)%
Provisions	2,003,118	-	2,003,118	-	-	2,003,118	1,929,000	-	(74,118)	(3.70)%	(3.70)%
Payables from exchange transactions	50,811,159	-	50,811,159	-	-	50,811,159	134,647,323	-	83,836,165	165.00%	165.00%
Payables from Non-exchange Transactions		-	-	-	-	-	3,058,942	-	3,058,942	#DIV/0!	100.00%
Unspent Conditional Grants and Receipts		-	-	-	-	-	7,789,129	-	7,789,129	#DIV/0!	100.00%
Bank Overdraft	7,769,675	1,352,020	9,121,695	-	-	9,121,695	21,972,581	-	12,850,885	182.80%	140.88%
Current Portion of Long-term Liabilities	527,151	-	527,151	-	-	527,151	240,852	-	(286,299)	(54.31)%	(54.31)%
Non-Current Liabilities											
Long-term Liabilities	11,472,849	-	11,472,849	-	-	11,472,849	-	-	(11,472,849)	(100.00)%	(100.00)%
Retirement Benefit Liabilities		-	-	-	-	-	21,404,001	-	21,404,001	#DIV/0!	#DIV/0!
Non-current Provisions	40,773,830	54,322,148	95,095,978	-	-	95,095,978	51,656,159	-	(43,439,820)	(25.80)%	(37.29)%
Total Liabilities	115,914,951	55,674,168	171,589,119	-	-	171,589,119	245,216,485	-	73,627,367		
Total Assets and Liabilities	866,571,633	(83,589,731)	782,981,901	-	-	782,981,901	640,469,520	-	(142,512,381)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	866,571,633	(83,589,731)	782,981,901	-	-	782,981,901	640,469,520	-	(142,512,382)	(26.09)%	(18.20)%
Total Net Assets	866,571,633	(83,589,731)	782,981,901	-	-	782,981,901	640,469,520	-	(142,512,382)		

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Cash and cash equivalents

Management does not budget for grants to be unspent at yearend. However, this did occur, resulting in the fluctuation.

Operating Lease Assets

During the 2020 year the decision was taken to remove the operating lease asset. The municipality however still budgeted for this resulting in the variance

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Property, Plant and Equipment:

The significant fluctuation is due to the depreciation expense which increased in comparison to that of the prior year. In addition to this the municipality also had a significant amount of assets written off in the current year not budgeted for. The Municipality uses a "backlog" depreciation expense approach which resulted in a significant higher balance being budgeted for. Furthermore, the municipality does not budget for Heritage assets as a separate asset, it get budgeted for under PPE.

Intangible Assets:

No new material Intangible Assets were purchased during the year. The Municipality uses a "backlog" amortisation expense approach which resulted in a significant higher balance being budgeted for.

Long-term Receivables:

The municipality did not budget for the long term receivables to be utilised against the outstanding account.

Payables from Exchange Transactions:

In relation to the outstanding balance budgeted for, the Municipality's outstanding creditors are material higher largely due to outstanding amounts owed to Eskom. This resulted in the material fluctuation and has caused cash flow constraints experienced by the Municipality.

Payables from Non-exchange Transactions:

The Municipality does not budget for this line item separately. Refer to payables from exchange explanation.

Unspent Conditional Grants and Receipts:

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, amongst others, unspent MIG funding was still available which will be used for capital projects in the next financial year.

VAT Receivable:

The Municipality did not budget for any outstanding VAT balance, but due to among others the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist. Further more, the municipality is awaiting refunds from SARS due to VAT returns still being audited at yearend

Bank Overdraft

The municipality budgeted for greater revenue enhancement to pay it's creditors. This however didn't happen, resulting in the municipality to utilise more of the available overdraft.

Long-term Liabilities:

The municipality does not differentiate the long term liabilities between current and non current portions when they perform their budget. Further, the municipality anticipated for a new finance lease to the value of R12 000 000 to be entered into for fleet vehicles, this did however not materialise.

Retirement Benefit Liabilities:

The municipality budgets for this line item along with non-current provisions.

Non-current Provisions:

The municipality under budgeted for the balance of retirement benefit liabilities as well as the provision for the landfill sites. The municipality does not split these 2 items in their budget.

2020

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	33,329,007	2,448,603	35,777,610	-	-	35,777,610	38,685,708	-	2,908,098	16.07%	8.13%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	795,393	-	795,393	#DIV/0!	#DIV/0!
Fines	4,598,203	4,999,997	9,598,200	-	-	9,598,200	8,390,815	-	(1,207,385)	82.48%	(12.58)%
Government Grants and Subsidies Received	79,580,000	5,325,000	84,905,000	-	-	84,905,000	87,604,854	-	2,699,854	10.08%	3.18%
Revenue from Exchange Transactions											
Service Charges	157,675,385	8,868,493	166,543,878	-	-	166,543,878	131,299,585	-	(35,244,293)	(16.73)%	(21.16)%
Licenses and Permits	2,258,808	-	2,258,808	-	-	2,258,808	698,713	-	(1,560,095)	(69.07)%	(69.07)%
Rental of Facilities and Equipment	1,077,930	-	1,077,930	-	-	1,077,930	775,239	-	(302,691)	(28.08)%	(28.08)%
Interest Earned - External Investments	2,055,940	-	2,055,940	-	-	2,055,940	1,813,555	-	(242,385)	(11.79)%	(11.79)%
Interest Earned - Outstanding Debtors	1,428,061	148,849	1,576,910	-	-	1,576,910	1,776,613	-	199,703	24.41%	12.66%
Other Income	1,368,637	-	1,368,637	-	-	1,368,637	2,643,452	-	1,274,815	93.14%	93.14%
Gains on Other Operations	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Total Revenue	283,371,971	21,790,942	305,162,913	-	-	305,162,913	274,483,927	-	(30,678,986)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Expenditure											
Employee Related Costs	88,622,363	(6,309,755)	82,312,608	-	-	82,312,608	86,432,105	-	4,119,497	(2.47)%	5.00%
Remuneration of Councilors	6,935,674	(304,712)	6,630,962	-	-	6,630,962	5,719,058	-	(911,904)	(17.54)%	(13.75)%
Operating Lease Expenditure	-	-	-	-	-	-	4,147,119	-	4,147,119	#DIV/0!	#DIV/0!
Depreciation and Amortisation	10,174,872	-	10,174,872	-	-	10,174,872	50,171,470	-	39,996,598	393.09%	393.09%
Impairment Losses	7,420,999	-	7,420,999	-	-	7,420,999	47,600,758	-	40,179,759	541.43%	541.43%
Repairs and Maintenance	10,837,832	(3,577,993)	7,259,839	-	-	7,259,839	8,074,853	-	815,014	(25.49)%	11.23%
Finance Costs	2,038,216	-	2,038,216	-	-	2,038,216	3,923,099	-	1,884,883	92.48%	92.48%
Bulk Purchases	74,329,184	(3,000,000)	71,329,184	-	-	71,329,184	70,126,146	-	(1,203,038)	(5.65)%	(1.69)%
Contracted Services	23,501,248	(2,345,025)	21,156,223	-	-	21,156,223	-	-	(21,156,223)	(100.00)%	(100.00)%
Grants and Subsidies Paid	1,913,000	-	1,913,000	-	-	1,913,000	-	-	(1,913,000)	(100.00)%	(100.00)%
General Expenses	22,390,922	4,693,638	27,084,560	-	-	27,084,560	34,449,161	-	7,364,601	53.85%	27.19%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	201,723	-	201,723	#DIV/0!	#DIV/0!
Losses on Other Operations	-	-	-	-	-	-	1,519	-	1,519	#DIV/0!	#DIV/0!
Loss on Sale of Land	-	-	-	-	-	-	4,750	-	4,750	#DIV/0!	#DIV/0!
Total Expenditure	248,164,310	(10,843,847)	237,320,463	-	-	237,320,463	310,851,760	-	73,531,297		
Surplus/(Deficit)	35,207,661	32,634,789	67,842,450	-	-	67,842,450	(36,367,832)	-	(104,210,282)	(203.30)%	(153.61)%
Surplus/(Deficit for the Year	35,207,661	32,634,789	67,842,450	-	-	67,842,450	(36,367,832)	-	(104,210,282)		

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates - Penalties imposed and collection charges:

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

Fines:

For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend. The municipality budgeted for greater fines revenue, however due to the Covid-19 outbreak, there was a reduction in the fines issued.

Service Charges:

The Municipality anticipated an increase in the revenue generated from service charges, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it. The outbreak of the Covid-19 disease impacted negatively on most of the municipality's income.

Licenses and Permits:

The Municipality anticipated an increase in the revenue generated from motor registrations, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it. The outbreak of the Covid-19 disease impacted negatively on most of the municipality's income.

Rental of facilities:

The Municipality anticipated an increase in the revenue generated from the rental of facilities, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it. The outbreak of the Covid-19 disease impacted negatively on most of the municipality's income.

Interest Earned - External Investments:

Due to better grant expenditure management, the amounts of unspent grants laying in the investment account during the year was less than anticipated, resulting in less interest accruing on investment accounts.

Interest Earned - Outstanding debtors:

As previously stated, the municipality budgets for penalties on property rates as interest. The municipality budgeted for better ageing of debtors that would result in less interest being charged to the accounts, this did however not happen, resulting in the variance.

Other Income:

The Municipality could not foresee the significant insurance payout received during the year, this resulted in the variance between the actual and budgeted income.

Losses on Other Operations:

The municipality did not budget for an adjustment in value in the OVK shares, the amount however is immaterial.

Loss on sale of land:

The municipality did not budget for the loss on disposal of land, the amount is however immaterial.

Councilors remuneration:

The municipality budgeted for a greater increase in councilors remuneration, this did however not materialise as budgeted.

Depreciation and Amortisation:

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

Impairment:

The municipality budgeted for better ageing in debtors which would also result in less debtor impairment. However, due to current financial climate, made worse by the outbreak of the Covid-19 disease, the impairment on debtors increased.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Repairs and Maintenance:

The municipality could not reach the expenditure management budgeted for Repairs and Maintenance. This resulted in the municipality slightly under budgeting for the repairs and maintenance expenditure.

Finance Costs:

The Municipality incurred finance cost expenditure on large overdue creditors like Eskom. The municipality did not budget for this.

Contracted Services:

During the 2019 AFS Audit the contracted services was re-allocated to general expenditure line items to better represent the nature of the expenditure. The municipality however still budget for contracted services

Grants and subsidies paid

During the 2019 AFS Audit the grants and subsidies paid was re-allocated to other expenditure line items to better represent the nature of the expenditure.

General Expenditure:

The municipality budgets for some general expenditure under contracted services.

Operating Lease Expenditure

The municipality did not budget for the expenditure paid on ABSA fleet vehicles to continue or the expenditure on the fidelity cash handling machine. It was anticipated for the municipality to enter into a finance lease agreement for the acquisition of fleet vehicles. This did however not realise, resulting in the variance.

Loss on Disposal of Property, Plant and Equipment:

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to no auction held and not budgeting for asset write-offs, a variance exists.

2020

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	1,631,250	(1,631,250)	-	-	-	-	5,775	-	5,775	(99.65)%	#DIV/0!
Finance and Administration	13,809,400	(12,909,400)	900,000	-	-	900,000	16,665	-	(883,336)	(106.40)%	(98.15)%
Planning and Development	-	-	-	-	-	-	568,374	-	568,374	100.00%	100.00%
Health	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	69,000	531,000	600,000	-	-	600,000	24,978	-	(575,022)	(933.36)%	(95.84)%
Housing	-	450,000	450,000	-	-	450,000	-	-	(450,000)	#DIV/0!	(100.00)%
Public Safety	30,450	569,550	600,000	-	-	600,000	-	-	(600,000)	(2070.44)%	(100.00)%
Sport and Recreation	34,250	7,959,750	7,994,000	-	-	7,994,000	10,320,248	-	2,326,248	6691.96%	29.10%
Waste Management	9,000	441,000	450,000	-	-	450,000	-	-	(450,000)	(5100.00)%	(100.00)%
Roads and Transport	27,609,250	(7,741,310)	19,867,940	-	-	19,867,940	2,347,368	-	(17,520,572)	(163.46)%	(88.19)%
Water	3,910,000	18,700,000	22,610,000	-	-	22,610,000	19,178,283	-	(3,431,717)	(187.77)%	(15.18)%
Electricity	1,770,000	2,250,000	4,020,000	-	-	4,020,000	1,378,698	-	(2,641,302)	(249.23)%	(65.70)%
Other	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	48,872,600	8,619,340	57,491,940	-	-	57,491,940	33,840,390	-	(23,651,550)		

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

The municipality anticipated for larger capital expenditure but due to amongst others all capital grant moneys not spent and the municipality not acquiring the fleet vehicles budgeted to the value of R12 000 000, the municipality over budgeted for this.

2020

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	29,922,978	1,758,471	31,681,449	-	-	31,681,449	-	-	(31,681,449)	(100.00)%	(100.00)%
Grants	79,580,000	5,325,000	84,905,000	-	-	84,905,000	66,084,328	-	(18,820,672)	(16.96)%	(22.17)%
Service Charges	142,511,625	(3,850,232)	138,661,392	-	-	138,661,392	123,501,417	-	(15,159,975)	(13.34)%	(10.93)%
Interest Received	2,055,940	1,576,910	3,632,850	-	-	3,632,850	1,813,555	-	(1,819,295)	(11.79)%	(50.08)%
Other Receipts	8,290,173	3,786,372	12,076,546	-	-	12,076,546	-	-	(12,076,546)	(100.00)%	(100.00)%
Employee Related Costs	(88,622,363)	-	(88,622,363)	-	-	(88,622,363)	(87,847,590)	-	774,773	(0.87)%	(0.87)%
Remuneration of Councillors	(6,935,674)	-	(6,935,674)	-	-	(6,935,674)	(5,719,058)	-	1,216,616	(17.54)%	(17.54)%
Interest Paid	(2,038,216)	-	(2,038,216)	-	-	(2,038,216)	(7,941,109)	-	(5,902,893)	289.61%	289.61%
Suppliers Paid	(128,045,456)	4,043,987	(124,001,469)	-	-	(124,001,469)	(71,973,527)	-	52,027,941	(43.79)%	(41.96)%
Other Payments	-	(1,913,000)	(1,913,000)	-	-	(1,913,000)	-	-	1,913,000	#DIV/0!	(100.00)%

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(48,872,600)	(8,619,340)	(57,491,940)	-	-	(57,491,940)	(33,869,657)	-	23,622,283	(30.70)%	(41.09)%
Proceeds on Disposal of Property, Plant and Equipment	200,000	-	200,000	-	-	200,000	-	-	(200,000)	(100.00)%	(100.00)%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Cash Flows from/(used in) Financing Activities											
New Loans raised	12,000,000	-	12,000,000	-	-	12,000,000	-	-	(12,000,000)	(100.00)%	(100.00)%
Loans repaid	(527,151)	-	(527,151)	-	-	(527,151)	(1,290,332)	-	(763,181)	144.77%	144.77%
Increase / (Decrease) in Consumer Deposits	27,823	-	27,823	-	-	27,823	-	-	(27,823)	(100.00)%	(100.00)%
Cash and Cash Equivalents at End of the Year	(452,921)	2,108,168	1,655,247	-	-	1,655,247	(17,241,974)	-	(18,897,221)		

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

The material fluctuation is mainly attributable to cost containment pertaining to suppliers paid not budgeted for as well as it being budgeted that all grants would be spent at yearend on capital expenditure which did not occur. A detailed cash flow breakdown has been provided, due to the fact that the municipal budget may differ in where some items are accounted for in relationship to how it is disclose in the AFS. The cash flow calculation and disclosure as per the AFS was rigorously looked at by the AG in past and deemed to be sufficient.

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	465,343	-	465,343	-	-	465,343	58,246,293	-	57,780,950	12416.86%	12416.86%
Receivables from Exchange Transactions	56,306,284	-	56,306,284	-	-	56,306,284	27,678,565	-	(28,627,719)	(50.84)%	(50.84)%
Receivables from Non-exchange Transactions	-	-	-	-	-	-	18,248,300	-	18,248,300	#DIV/0!	#DIV/0!
Cash and Cash Equivalents	10,480,687	(2,101,000)	8,379,687	-	-	8,379,687	35,430,721	-	27,051,033	238.06%	322.82%
VAT Receivable	-	-	-	-	-	-	4,742,283	-	4,742,283	100.00%	100.00%
Current Portion of Operating Lease Receivables	4,551	-	4,551	-	-	4,551	4,542	-	(9)	(0.20)%	(0.20)%
Non-Current Assets											
Property, Plant and Equipment	1,057,502,736	(2,101,000)	1,055,401,736	-	-	1,055,401,736	744,437,107	-	(310,964,629)	(29.60)%	(29.46)%
Intangible Assets	382,117	-	382,117	-	-	382,117	101,890	-	(280,226)	(73.34)%	(73.34)%
Investment Property	78,969,995	-	78,969,995	-	-	78,969,995	5,718,600	-	(73,251,395)	(92.76)%	(92.76)%
Heritage Assets	6,959,273	-	6,959,273	-	-	6,959,273	6,959,273	-	-	-	-
Non-current Investments	29,214	-	29,214	-	-	29,214	29,209	-	(5)	(0.02)%	(0.02)%
Long-term Receivables	1,504	-	1,504	-	-	1,504	10	-	(1,494)	(99.34)%	(99.34)%
Operating Lease Receivables	7,510	-	7,510	-	-	7,510	7,473	-	(37)	(0.50)%	(0.50)%
Total Assets	1,211,109,213	(4,202,000)	1,206,907,213	-	-	1,206,907,213	901,604,266	-	(305,302,947)		
Current Liabilities											
Consumer Deposits	2,529,346	-	2,529,346	-	-	2,529,346	2,414,796	-	(114,549)	(4.53)%	(4.53)%
Provisions	1,963,841	-	1,963,841	-	-	1,963,841	1,834,729	-	(129,112)	(6.57)%	(6.57)%
Payables from Exchange Transactions	40,009,538	-	40,009,538	-	-	40,009,538	88,642,766	-	48,633,228	121.55%	121.55%
Payables from Non-exchange Transactions	-	-	-	-	-	-	3,189,968	-	3,189,968	100.00%	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	29,309,656	-	29,309,656	100.00%	100.00%
Bank Overdraft	7,617,329	-	7,617,329	-	-	7,617,329	18,397,223	-	10,779,894	141.52%	141.52%
Current Portion of Long-term Liabilities	3,527,151	-	3,527,151	-	-	3,527,151	240,845	-	(3,286,307)	(93.17)%	(93.17)%
Non-Current Liabilities											
Long-term Liabilities	-	-	-	-	-	-	1,290,339	-	1,290,339	#DIV/0!	#DIV/0!
Retirement Benefit Liabilities	-	-	-	-	-	-	23,772,426	-	23,772,426	100.00%	100.00%
Non-current Provisions	37,142,868	-	37,142,868	-	-	37,142,868	55,674,167	-	18,531,299	49.89%	49.89%
Total Liabilities	92,790,073	-	92,790,073	-	-	92,790,073	224,766,914	-	131,976,842		
Total Assets and Liabilities	1,118,319,140	(4,202,000)	1,114,117,140	-	-	1,114,117,140	676,837,352	-	(437,279,789)		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	1,118,319,140	(4,202,000)	1,114,117,140	-	-	1,114,117,140	676,837,352	-	(437,279,788)	(39.48)%	(39.25)%
Total Net Assets	1,118,319,140	(4,202,000)	1,114,117,140	-	-	1,114,117,140	676,837,352	-	(437,279,788)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Management did not budget for the extent of the debtors that was written off, this resulted in the variance.

Receivables from Non-exchange Transactions:

The municipality does not split the receivables between exchange and non-exchange transactions when they perform the budget. Refer to explanation above.

Cash and cash equivalents

Management does not budget for grants to be unspent at yearend. However, this did occur, resulting in the deviation.

Property, Plant and Equipment:

The significant deviation is due to the depreciation expense which increased in comparison to that of the prior year. The Municipality uses a "backlog" depreciation expense approach which resulted in a significant higher balance being budgeted for. Further to this, the municipality budgeted for property held for sale under Investment property and not inventories

Intangible Assets:

No new material Intangible Assets were purchased during the year. The Municipality uses a "backlog" amortisation expense approach which resulted in a significant higher balance being budgeted for.

Investment Properties:

During the 2019 AFS the municipality re-classified investment properties with the intention to distribute to Inventory. The municipality budgeted for this under Investment Property.

Inventories

The municipality, in line on the previous year's AG recommendation, budgeted for property ready to be sold under Investment Property and not inventory.

Long-term Receivables:

Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.

Payables from Exchange Transactions:

In relation to the outstanding balance budgeted for, the Municipality's outstanding creditors are material higher largely due to outstanding amounts owed to Eskom. This resulted in the material deviation and has caused cash flow constraints experienced by the Municipality.

Payables from Non-exchange Transactions:

The Municipality does not budget for this line item separately. Refer to payables from exchange explanation.

Unspent Conditional Grants and Receipts:

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, amongst others, unspent funding was still available due to a significant amount being received late in the year, which will be used for capital projects in the next financial year.

VAT Receivable:

The Municipality did not budget for any outstanding VAT balance, but due to the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist. As well as June 2019's VAT return only being recovered/settled in the following financial year.

Bank Overdraft

The municipality budgeted for greater revenue enhancement to pay it's creditors. This however didn't happen, resulting in the municipality to utilise more of the available overdraft.

Long-term Liabilities:

The municipality does not differentiate the long term liabilities between current and non current portions when they perform their budget. Further, the municipality under budgeted for the down payment of finance leases.

Retirement Benefit Liabilities:

The municipality budgets for this line item along with non-current provisions.

Non-current Provisions:

The municipality under budgeted for the balance of retirement benefit liabilities as well as the provision for the landfill sites. The municipality does not split these 2 items in their budget.

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	29,289,480	-	29,289,480	-	-	29,289,480	33,191,190	-	3,901,710	13.32%	13.32%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	561,272	-	561,272	100.00%	100.00%
Fines	3,759,600	-	3,759,600	-	-	3,759,600	13,631,692	-	9,872,092	262.58%	262.58%
Government Grants and Subsidies Received	98,262,000	(2,101,000)	96,161,000	-	-	96,161,000	68,650,878	-	(27,510,122)	(30.13)%	(28.61)%
Revenue from Exchange Transactions											
Service Charges	115,054,926	-	115,054,926	-	-	115,054,926	120,808,959	-	5,754,033	5.00%	5.00%
Licenses and Permits	2,108,315	-	2,108,315	-	-	2,108,315	1,281,203	-	(827,112)	(39.23)%	(39.23)%
Rental of Facilities and Equipment	832,738	-	832,738	-	-	832,738	842,017	-	9,279	1.11%	1.11%
Interest Earned - External Investments	986,860	-	986,860	-	-	986,860	1,954,749	-	967,889	98.08%	98.08%
Interest Earned - Outstanding Debtors	1,334,634	-	1,334,634	-	-	1,334,634	1,506,328	-	171,694	12.86%	12.86%
Other Income	28,154,421	-	28,154,421	-	-	28,154,421	1,494,826	-	(26,659,595)	(94.69)%	(94.69)%
Gains on Other Operations	-	-	-	-	-	-	112,313	-	112,313	100.00%	100.00%
Gains on Disposal of Property, Plant and Equipment	200,000	-	200,000	-	-	200,000	-	-	(200,000)	(100.00)%	(100.00)%
Total Revenue	279,982,974	(2,101,000)	277,881,974	-	-	277,881,974	244,035,426	-	(33,846,548)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Expenditure												
Employee Related Costs	82,290,780	568,368	82,859,148	-	-	82,859,148	81,663,841	-	(1,195,307)	(0.76)%	(1.44)%	
Remuneration of Councillors	6,788,145	(972,914)	5,815,231	-	-	5,815,231	5,502,117	-	(313,114)	(18.95)%	(5.38)%	
Operating Lease Expenditure	-	-	-	-	-	-	85,075	-	85,075	#DIV/0!	#DIV/0!	
Depreciation and Amortisation	9,598,934	-	9,598,934	-	-	9,598,934	52,757,352	-	43,158,418	449.62%	449.62%	
Impairment Losses	7,000,942	-	7,000,942	-	-	7,000,942	62,899,314	-	55,898,371	798.44%	798.44%	
Repairs and Maintenance	21,990,873	(109,980)	21,880,893	-	-	21,880,893	12,470,616	-	(9,410,277)	(43.29)%	(43.01)%	
Finance Costs	1,428,525	-	1,428,525	-	-	1,428,525	14,277,284	-	12,848,759	899.44%	899.44%	
Bulk Purchases	64,814,196	-	64,814,196	-	-	64,814,196	62,705,633	-	(2,108,564)	(3.25)%	(3.25)%	
Contracted Services	10,311,800	(60,000)	10,251,800	-	-	10,251,800	-	-	(10,251,800)	(100.00)%	(100.00)%	
Grants and Subsidies Paid	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	
General Expenses	40,795,480	(9,476)	40,786,004	-	-	40,786,004	40,608,375	-	(177,629)	(0.46)%	(0.44)%	
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	808,936	-	808,936	100.00%	100.00%	
Loss on Sale of Land	-	-	-	-	-	-	1,589	-	1,589	100.00%	100.00%	
Total Expenditure	245,019,675	(584,002)	244,435,674	-	-	244,435,674	333,780,132	-	89,344,458			
Surplus/(Deficit)	34,963,299	(1,516,998)	33,446,300	-	-	33,446,300	(89,744,706)	-	(123,191,006)	(356.68)%	(368.32)%	
Surplus/(Deficit for the Year)	34,963,299	(1,516,998)	33,446,300	-	-	33,446,300	(89,744,706)	-	(123,191,006)			

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates:

The municipality under budgeted for the property rates income.

Property Rates - Penalties imposed and collection charges:

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

Fines:

For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

Grants and subsidies received

As the municipality did not budget for any grants to be unspent at yearend, they budgeted for all income to be derived as well, this however did not happen, resulting in the variance.

Licenses and Permits:

The Municipality anticipated an increase in the revenue generated from motor registrations, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it.

Interest Earned - External Investments:

Due to unspent conditional grants invested in investment bank accounts, the municipality was able to generate greater interest than budgeted for.

Interest Earned - Outstanding debtors:

As previously stated, the municipality budgets for penalties on property rates as interest. The municipality budgeted for better ageing of debtors that would result in less interest being charged to the accounts, this did however not happen, resulting in the variance.

Other Income:

The Municipality budgets for pre-paid sales amongst others under other income, resulting in the variance.

Gains on Other Operations:

The municipality did not budget for an adjustment in value in the OVK shares or that there would be a credit adjustment in the inventories counted in the stores.

Gains on Disposal of Property, Plant and Equipment:

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). However, no auction was held in the current year.

Operating lease expenditure

The municipality did not budget for the expenditure realising from the usage of the fidelity cash handling machine.

Depreciation and Amortisation:

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

Impairment:

The municipality did not budget that close to R60mil worth of debtors would be written off during the year.

Repairs and Maintenance:

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

Finance Costs:

The Municipality incurred finance cost expenditure on large overdue creditors like Eskom. The municipality did not foresee the large amount of creditors and thus also not the finance cost raised on these creditors.

Contracted Services:

During the 2019 AFS Audit the contracted services was re-allocated to other expenditure line items to better represent the nature of the expenditure.

Grants and subsidies paid

During the 2019 AFS Audit the grants and subsidies paid was re-allocated to other expenditure line items to better represent the nature of the expenditure.

Loss on Disposal of Property, Plant and Equipment:

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to no auction held and not budgeting for asset write-offs, a variance exists.

Loss on disposal of Land:

The municipality did not budget for a loss to be realised on sale of land. The amount is however immaterial.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	1,631,250	-	1,631,250	-	-	1,631,250	612,811	-	(1,018,439)	(162.43)%	(62.43)%
Finance and Administration	809,400	(348,000)	461,400	-	-	461,400	45,384	-	(416,016)	(151.40)%	(90.16)%
Planning and Development	-	-	-	-	-	-	786,815	-	786,815	#DIV/0!	#DIV/0!
Health	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Community and Social Services	69,000	90,000	159,000	-	-	159,000	117,979	-	(41,021)	(159.45)%	(25.80)%
Housing	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Public Safety	30,450	-	30,450	-	-	30,450	15,652	-	(14,798)	(148.60)%	(48.60)%
Sport and Recreation	34,250	-	34,250	-	-	34,250	7,252	-	(26,998)	(178.83)%	(78.83)%
Waste Management	9,000	-	9,000	-	-	9,000	10,415	-	1,415	(84.28)%	15.72%
Roads and Transport	13,370,077	(3,843,000)	9,527,077	-	-	9,527,077	9,027,249	-	(499,828)	(103.74)%	(5.25)%
Water	34,969,000	-	34,969,000	-	-	34,969,000	8,764,765	-	(26,204,235)	(174.94)%	(74.94)%
Electricity	4,270,000	2,000,000	6,270,000	-	-	6,270,000	3,830,738	-	(2,439,262)	(157.13)%	(38.90)%
Other	-	-	-	-	-	-	21,384	-	21,384	#DIV/0!	#DIV/0!
Total Capital Expenditure	55,192,427	(2,101,000)	53,091,427	-	-	53,091,427	23,240,444	-	(29,850,983)		

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

The municipality anticipated for larger capital expenditure but due to amongst others all capital grant moneys not spent, the municipality over budgeted for this.

2019

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	27,583,532	-	27,583,532	-	-	27,583,532	-	-	(27,583,532)	(100.00)%	(100.00)%
Grants	98,262,000	(2,101,000)	96,161,000	-	-	96,161,000	94,955,000	-	(1,206,000)	(3.37)%	(1.25)%
Service Charges	109,069,177	-	109,069,177	-	-	109,069,177	131,427,493	-	22,358,316	20.50%	20.50%
Interest Received	2,054,567	-	2,054,567	-	-	2,054,567	1,954,749	-	(99,818)	(4.86)%	(4.86)%
Other Receipts	33,406,228	-	33,406,228	-	-	33,406,228	-	-	(33,406,228)	(385.61)%	(100.00)%
Employee Related Costs	(82,290,780)	(568,368)	(82,859,148)	-	-	(82,859,148)	(81,306,494)	-	1,552,654	(1.20)%	(1.87)%
Remuneration of Councilors	(6,788,145)	972,914	(5,815,231)	-	-	(5,815,231)	(5,502,117)	-	313,114	(18.95)%	(5.38)%
Interest Paid	(1,428,529)	-	(1,428,525)	-	-	(1,428,525)	(5,539,842)	-	(4,111,317)	287.80%	287.80%
Suppliers Paid	(127,626,333)	-	(127,626,333)	-	-	(127,626,333)	(95,411,916)	-	32,214,417	(25.24)%	(25.24)%
Other Payments	-	-	-	-	-	-	-	-	-	-	-
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(54,608,427)	2,101,000	(52,507,427)	-	-	(52,507,427)	(23,273,551)	-	29,233,876	(57.38)%	(55.68)%
Proceeds on Disposal of Property, Plant and Equipment	200,000	-	200,000	-	-	200,000	-	-	(200,000)	(100.00)%	(100.00)%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Cash Flows from/(used in) Financing Activities											
New Loans raised	3,527,151	-	3,527,151	-	-	3,527,151	594,355	-	(2,932,796)	(83.15)%	(83.15)%
Loans repaid	(3,527,151)	-	(3,527,151)	-	-	(3,527,151)	(3,807,848)	-	(280,697)	7.96%	7.96%
Increase / (Decrease) in Consumer Deposits	97,926	-	97,926	-	-	97,926	-	-	(97,926)	(100.00)%	(100.00)%
Cash and Cash Equivalents at End of the Year	(2,068,779)	404,546	(1,664,233)	-	-	(1,664,233)	14,089,829	-	15,754,062		

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

The material fluctuation is mainly attributable to cost containment pertaining to suppliers paid not budgeted for as well as it being budgeted that all grants would be spent at yearend on capital expenditure which did not occur. A detailed cash flow breakdown has been provided, due to the fact that the municipal budget may differ in where some items are accounted for in relationship to how it is disclosed in the AFS. The cashflow calculation and disclosure as per the AFS was rigorously looked at by the AG in past in deemed to be sufficient.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2020	2019
	R	R
Net Surplus/(Deficit) per the Statement of Financial Performance	(36,367,832)	(89,744,706)
Revenue from Non-exchange Transactions		
Property Rates	(2,908,098)	(3,901,710)
Property Rates - Penalties imposed and collection charges	(795,393)	(561,272)
Fines	1,207,385	(9,872,092)
Government Grants and Subsidies Received	(2,699,854)	27,510,122
Revenue from Exchange Transactions		
Service Charges	35,244,293	(5,754,033)
Licenses and Permits	1,560,095	827,112
Rental of Facilities and Equipment	302,691	(9,279)
Interest Earned - External Investments	242,385	(967,889)
Interest Earned - Outstanding Debtors	(199,703)	(171,694)
Other Revenue	(1,274,815)	26,659,595
Gains on Other Operations	-	(112,313)
Gains on Disposal of Property, Plant and Equipment	-	200,000
Profit on Sale of Land		
Expenditure		
Employee Related Costs	4,119,497	(1,195,307)
Remuneration of Councilors	(911,904)	(313,114)
Operating Lease expenditure	4,147,119	85,075
Depreciation and Amortisation	39,996,598	43,158,418
Impairment Losses	40,179,759	55,898,371
Repairs and Maintenance	815,014	(9,410,277)
Finance Costs	1,884,883	12,848,759
Bulk Purchases	(1,203,038)	(2,108,564)
Contracted Services	(21,156,223)	(10,251,800)
Grants and Subsidies Paid	(1,913,000)	-
General Expenses	7,364,601	(177,629)
Loss on Disposal of Property, Plant and Equipment	201,723	808,936
Loss on Other Operations	1,519	-
Loss on Disposal of Land	4,750	1,589
Net Surplus/Deficit per Approved Budget	67,842,450	33,446,300

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2020 and 30 June 2019, the Municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The Municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations And Assumptions

In the application of the Municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 13.2 on Revenue from Exchange Transactions and Accounting Policy 13.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION (continued)

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets

As described in Accounting Policies 3.3, 5.2 and 6.2 the Municipality depreciates its property, plant and equipment, investment property and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

Accounting Policy 8 on Impairment of assets Accounting Policy 11.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the Net Realisable Value for inventories involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 10 to the AFS, whilst no impairments were made to intangible assets or inventory.

According to GRAP 21.74 "An entity shall disclose in the summary of accounting policies, the judgements management has made in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets" Specific exclusion from GRAP 21 and GRAP 26 impairment includes Inventories, Investment Properties at fair value and Biological Assets etc. Management concluded on the following regarding the designation:

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION (continued)

1.2.6 Designation: Cash Generating - or Non-Cash Generating Assets

Administrative / owner-occupied assets

It is accepted that all administrative assets, for example, vehicles, office equipment/furniture, plant and machinery, computer equipment and administrative land and buildings are non-cash-generating assets as they do not generate any return.

Infrastructure assets

• Roads

Roads do not generate any return and is therefore categorised as non-cash-generating assets.

• Water

The water network was acquired to deliver a service to the community.

The objective of the assets originally acquired and the subsequent additions were not acquired as an investment that was expected to generate a commercial profit to the municipality.

The services charges collected from water will not generate a return that is significantly higher than cost.

If the municipality is not able to collect any cash flows from consumers for providing the service, the municipality would not be able to sell the water network, as the service would still have to be delivered.

The water network assets are non-cash-generating assets.

• Electricity

The electricity network was acquired to deliver a service to the community.

The objective of the assets originally acquired and the subsequent additions were not acquired as an investment that was expected to generate a commercial profit to the municipality.

The services charges collected from electricity will not generate a return that is significantly higher than cost.

If the municipality is not able to collect any cash flows from consumers for providing the service, the municipality would not be able to sell the electricity network, as the service would still have to be delivered.

The electricity network assets are non-cash-generating assets.

• Waste management

Waste management do generate a return in the form of a fee charged at landfill sites for the disposing of household waste when the load is of a certain size. These landfill sites are however management to protect health, well-being and the environment by providing the facility to safely dispose of household waste.

Landfill sites are non-cash-generating assets.

Community assets

Community assets are all categorised as non-cash generating assets even if some of these assets, for example, swimming pool, community hall or cemeteries generate a return.

The return generated by these assets is small and immaterial in relation to the cost of the assets and therefor is not considered to be a commercial return. In addition, all community assets are held with the primary objectives of service delivery in the community, to uplift the communities and to stimulate and enhance economic growth in the different communities.

1.2.7 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 2 of the accounting policy to the Annual Financial Statements.

1.2.8 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the Municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 19 to the Annual Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION (continued)

1.2.9 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 8.95% (2019: 8.95%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 10.11% (2019: 8.95%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 10.11% (2019: 8.95%).

1.2.10 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis. Additional information can be found in notes 62 to the Annual Financial Statements

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments To Standards And Interpretations Issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 104 Financial Instruments

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. NETT ASSETS

Included in the net assets of the Municipality, are the following reserves that are maintained in terms of specific requirements:

2.1.1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment with significant cost attached to them have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, unless a specific decision has been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model. When an item of PPE is revalued, the entire class of property to which that asset belongs, should be revalued. In such instance the following applies:

Subsequent to initial recognition property, plant and equipment will be carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of property, plant and equipment as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to the Statement of Changes in Net Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	5 - 100
Roads and Storm water	3 - 80		
Electricity	3 - 60	Other	
Water	5 - 75	Motor Vehicles	3 - 15
Sewerage	5 - 75	Office Equipment	3 - 15
Landfill Sites	10 - 65	Furniture and Fittings	2 - 10
		Other Plant and Equipment	2 - 15
Community		Emergency Equipment	2 - 10
Recreational Facilities	5 - 60		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term. Furthermore, a Finance Lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as a Capital asset.

3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the Municipality in terms of the asset management policy.

3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

4.1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4. HERITAGE ASSETS (continued)

4.2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4.3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

5. INTANGIBLE ASSETS

5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. INTANGIBLE ASSETS (continued)

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

<i>Intangible asset</i>	<i>Years</i>
Software	3 - 5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

5.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6. INVESTMENT PROPERTY

6.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the Municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property.

6. INVESTMENT PROPERTY (Continued)

6.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

6.3 Derecognition

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7.1 Impairment of Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

7.1 Impairment of Cash generating assets

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. IMPAIRMENT OF ASSETS (Continued)

7.2 Impairment of Non-Cash generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

(i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The Municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

8.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8. FINANCIAL INSTRUMENTS (continued)

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Long-term Investments	Financial asset at fair value
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- Financial Liabilities measured at fair value or
- Financial Liabilities measured at amortised cost
- Financial Liabilities measured at cost

The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long-term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank Overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current Portion of Long-term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8. FINANCIAL INSTRUMENTS (continued)

Fair value methods and assumptions

8.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

8.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8. FINANCIAL INSTRUMENTS (continued)

8.6 Derecognition of Financial Liabilities

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus import taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Taxes recoverable by the entity from the SARS may not be included.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

Water inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a FIFO cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. REVENUE RECOGNITION

10.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

10. REVENUE RECOGNITION (Continued)

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

10.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

10.2.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10.2.6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

EMTHANJENI LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

10.2 Revenue from Exchange Transactions (Continued)

10.2.7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10.2.8 Dividends

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

10.3.1 Rates And Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

10.3.3 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

10.3.4 Revenue From Recovery of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

10.3.5 Donations

Donations are recognised on a cash receipt basis, or, where the donation is in the form of property, plant and equipment, when the risk and rewards of ownership have transferred to the entity. Donations are measured at fair value.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

12.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The Municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councilors, and has both defined benefit and defined contribution post-employment plans.

12.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

12. EMPLOYEE BENEFITS (Continued)

12.3 Post-Retirement Health Care Benefits:

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

12.4 Long-Service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

12.5 Defined Benefit Pension Plans

The Municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

The Municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed previously.

13. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

13.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

13.1 The Municipality As Lessee (Continued)

Operating leases

The Municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 The Municipality As Lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

13.3 Determining Whether An Arrangement Contains A Lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

14. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

15. GRANTS-IN-AID

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax, 1991 (Act No. 89 of 1991).

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Municipal Systems Act, 2000 (Act No. 32 of 2000) and the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 40 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 41 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

21. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councilors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The Municipality changed its accounting policy from IPSAS 20 to GRAP 20 with no effect on the financial information disclosed

22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

23. COMPARATIVE INFORMATION

23.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2019 to 30 June 2020.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial

25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

26. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
1. GENERAL INFORMATION		
<p>Emthanjeni Municipality (the Municipality) is a local government institution in De Aar, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley-ka-Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p>		
2. INVENTORIES		
Consumable Stores	921,657	564,048
Property Stock	57,587,639	57,645,389
Water - at cost	31,812	36,856
Total Inventories	<u>58,541,109</u>	<u>58,246,293</u>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required. During the 2019 year the municipality decided to re-classify all properties with the intent to distribute from Investment Property to Inventory.

The cost of water production for the year amounted to R1.2812 per kiloliter (2019: R1.1685) per kiloliter.

No inventory was written off during this or the previous financial year.

No Inventories have been pledged as collateral for Liabilities of the Municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Service Debtors:	140,122,162	(100,044,303)	40,077,858
Electricity	33,889,216	(20,695,997)	13,193,219
Refuse	17,328,808	(14,371,115)	2,957,694
Town Commonage	4,312,221	(4,312,007)	214
Rental of municipal buildings	1,829,781	(1,745,526)	84,255
Sewerage	32,371,164	(25,187,395)	7,183,769
Water	50,390,972	(33,732,264)	16,658,708
Other Receivables	469,053	(325,104)	143,949
Total Receivables from Exchange Transactions	<u>140,591,214</u>	<u>(100,369,407)</u>	<u>40,221,807</u>
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Service Debtors:	107,517,486	(79,913,814)	27,603,672
Electricity	24,876,212	(13,649,406)	11,226,806
Refuse	13,089,102	(11,789,470)	1,299,632
Town Commonage	3,908,829	(3,752,952)	155,877
Rental of municipal buildings	1,594,974	(1,519,887)	75,087
Sewerage	25,441,622	(21,071,809)	4,369,813
Water	38,606,747	(28,130,290)	10,476,457
Other Receivables	360,750	(285,857)	74,893
Total Receivables from Exchange Transactions	<u>107,878,236</u>	<u>(80,199,670)</u>	<u>27,678,565</u>

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2020, the Municipality is owed R7 930 909 (30 June 2019: R5 405 635) by National and Provincial Government.

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2020

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	5,571,963	2,696,952	1,673,307	23,946,994	33,889,216
Less: Provision for Impairment	(2,035,647)	(1,676,180)	(1,136,946)	(15,847,224)	(20,695,997)
Net Balances	3,536,316	1,020,773	536,360	8,099,770	13,193,219
Refuse:					
Gross Balances	502,157	445,389	434,898	15,946,365	17,328,808
Less: Provision for Impairment	(361,608)	(372,962)	(375,170)	(13,261,374)	(14,371,115)
Net Balances	140,548	72,427	59,728	2,684,991	2,957,694
Sewerage:					
Gross Balances	990,835	826,704	798,576	29,755,048	32,371,164
Less: Provision for Impairment	(598,444)	(614,443)	(615,457)	(23,359,051)	(25,187,395)
Net Balances	392,391	212,261	183,119	6,395,997	7,183,769
Water:					
Gross Balances	2,750,004	1,912,034	1,821,112	43,907,822	50,390,972
Less: Provision for Impairment	(990,587)	(1,120,840)	(1,112,833)	(30,508,003)	(33,732,264)
Net Balances	1,759,417	791,194	708,279	13,399,819	16,658,708
Town Commonage					
Gross Balances	33,854	33,616	33,616	4,211,135	4,312,221
Less: Provision for Impairment	(33,640)	(33,616)	(33,616)	(4,211,135)	(4,312,007)
Net Balances	214	-	-	(0)	214
Rental of municipal buildings					
Gross Balances	56,901	29,458	32,366	1,711,056	1,829,781
Less: Provision for Impairment	(25,587)	(25,587)	(28,738)	(1,665,615)	(1,745,526)
Net Balances	31,314	3,872	3,628	45,441	84,255
Other Receivables:					
Gross Balances	97,026	8,725	9,448	353,853	469,053
Less: Provision for Impairment	(10,510)	(5,990)	(6,608)	(301,996)	(325,104)
Net Balances	86,517	2,735	2,840	51,857	143,949

As at 30 June Receivables of R34 275 091 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	5,952,878	4,803,324	119,832,273	130,588,475
Less: Provision for Impairment	(3,849,618)	(3,309,369)	(89,154,398)	(96,313,384)
Net Balances	2,103,260	1,493,955	30,677,875	34,275,091

As at 30 June 2019

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	5,956,449	1,015,075	761,726	17,142,962	24,876,212
Less: Provision for Impairment	(1,150,592)	(473,607)	(379,891)	(11,645,316)	(13,649,406)
Net Balances	4,805,857	541,468	381,835	5,497,646	11,226,806
Refuse:					
Gross Balances	476,409	361,460	335,891	11,915,340	13,089,102
Less: Provision for Impairment	(228,467)	(293,019)	(281,906)	(10,986,078)	(11,789,470)
Net Balances	247,942	68,442	53,985	929,262	1,299,632

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R
2019
R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	1,038,606	705,302	645,236	23,052,478	25,441,622
Less: Provision for Impairment	(387,051)	(497,099)	(464,667)	(19,722,992)	(21,071,809)
Net Balances	651,555	208,203	180,570	3,329,486	4,369,813
Water:					
Gross Balances	2,796,787	1,330,160	991,158	33,488,642	38,606,747
Less: Provision for Impairment	(575,322)	(764,080)	(626,653)	(26,164,235)	(28,130,290)
Net Balances	2,221,465	566,081	364,505	7,324,407	10,476,457
Town Commonage					
Gross Balances	33,854	33,616	33,616	3,807,743	3,908,829
Less: Provision for Impairment	(32,382)	(32,382)	(32,382)	(3,655,807)	(3,752,952)
Net Balances	1,472	1,234	1,234	151,936	155,877
Rental of municipal buildings					
Gross Balances	54,351	27,301	25,750	1,487,572	1,594,974
Less: Provision for Impairment	(22,093)	(23,046)	(22,270)	(1,452,478)	(1,519,887)
Net Balances	32,258	4,255	3,480	35,094	75,087
Other Receivables:					
Gross Balances	22,646	11,731	8,266	318,107	360,750
Less: Provision for Impairment	(9,227)	(6,367)	(6,020)	(264,243)	(285,857)
Net Balances	13,419	5,365	2,246	53,865	74,893

As at 30 June Receivables of R19 704 597 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	3,484,645.86	2,801,644.04	91,212,843.44	97,499,133.34
Less: Provision for Impairment	(2,089,599)	(1,813,789)	(73,891,149)	(77,794,536)
Net Balances	1,395,047	987,855	17,321,695	19,704,597

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2020				
<u>Current:</u>				
0 - 30 days	7,691,410	1,552,029	759,300	-
<u>Past Due:</u>				
31 - 60 Days	4,529,173	1,023,870	399,836	-
61 - 90 Days	3,792,031	573,248	438,045	-
+ 90 Days	106,430,829	7,067,716	6,333,728	-
Sub-total	122,443,443	10,216,863	7,930,909	-
Less: Provision for Impairment	(92,435,413)	(7,933,994)	-	-
Total Trade Receivables by Customer Classification	30,008,030	2,282,869	7,930,909	-
As at 30 June 2019				
<u>Current:</u>				
0 - 30 days	7,868,579	2,071,225	439,299	-
<u>Past Due:</u>				
31 - 60 Days	2,407,206	608,251	469,189	-
61 - 90 Days	2,129,632	341,047	330,966	-
+ 90 Days	81,566,788	5,479,874	4,166,182	-
Sub-total	93,972,204	8,500,397	5,405,635	-
Less: Provision for Impairment	(74,934,744)	(5,264,926)	-	-
Total Trade Receivables by Customer Classification	19,037,460	3,235,470	5,405,635	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	(80,199,670)	(91,170,597)
Impairment Losses recognised	(20,169,737)	10,970,927
Balance at end of year	(100,369,407)	(80,199,670)

In determining the recoverability of Receivables, the Municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment. The impact of the covid-19 outbreak and the financial impact thereof on the payments received for settlement of outstanding debtors accounts was taken into consideration when the provision for doubtful debt was calculated. Refer to note 62 for further details on the going concern evaluation.

Included in the Municipality's Receivables balance are debtors with a carrying amount of R34 275 091 (2019: R19 704 597) which are past due at the reporting date for which the Municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits (see Note 13), which are not covering the total outstanding debt. The average age of these receivables is 107 days (2019: 80 days).

No provision has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impaired Receivables from Exchange Transactions

<u>Current:</u>		
0 - 30 Days	4,056,023	2,405,134
<u>Past Due:</u>		
31 - 60 Days	3,849,618	2,089,599
61 - 90 Days	3,309,369	1,813,789
+ 90 Days	89,154,398	73,891,149
Total	100,369,407	80,199,670

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Assessment Rates Debtors	62,897,067	(53,507,100)	9,389,967
Payments made in Advance	292,715	-	292,715
Sundry Deposits	984,042	-	984,042
Sundry Debtors	115,039,687	(104,461,734)	10,577,953
Total Receivables from Non-exchange Transactions	179,213,511	(157,968,835)	21,244,677
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Assessment Rates Debtors	45,681,453	(39,840,760)	5,840,692
Payments made in Advance	341,047	-	341,047
Sundry Deposits	984,651	-	984,651
Sundry Debtors	108,085,622	(97,003,713)	11,081,910
Total Receivables from Non-exchange Transactions	155,092,773	(136,844,473)	18,248,300

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity and cash deposits made to various fuel stations. Included in the total is an amount of R900 000 (2019: R900 000) in respect of a deposit paid to Eskom. The remaining R84 042 (2018: R84 651) is with regards to deposits held by fuel stations.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the Municipality. Included in sundry debtors is an amount of R114 665 507 for gross traffic fines outstanding as well R104 461 734 impairment on these fines. During the 2020 year the municipality identified shortages between the amounts that the department of Safety and Liason believes should have been received by the municipality pertaining to motor registrations and the amounts actually paid into the municipality's bank account. The difference identified was a total of R200 206 and is included in the sundry debtors total. This item will be communicated and investigated by the municipality and relevant parties.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the Municipality's banker, plus one percent per annum on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2020

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	1,548,213	4,223,478	966,795	56,158,581	62,897,067
Less: Provision for Impairment	(625,111)	(3,384,615)	(662,930)	(48,834,444)	(53,507,100)
Net Balances	923,102	838,863	303,865	7,324,137	9,389,967
Payments made in Advance:					
Gross Balances	-	-	-	292,715	292,715
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	292,715	292,715
Sundry Deposits:					
Gross Balances	-	-	-	984,042	984,042
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	984,042	984,042
Sundry Debtors:					
Gross Balances	-	-	-	115,039,687	115,039,687
Less: Provision for Impairment	-	-	-	(104,461,734)	(104,461,734)
Net Balances	-	-	-	10,577,953	10,577,953

As at 30 June Receivables of R21 235 241 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	4,223,478	966,795	172,475,025	177,665,298
Less: Provision for Impairment	(3,384,615)	(662,930)	(153,296,178)	(157,343,723)
Net Balances	838,863	303,865	19,178,847	20,321,575

As at 30 June 2019

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	1,231,365	636,714	561,124	43,252,249	45,681,453
Less: Provision for Impairment	(288,670)	(382,024)	(354,589)	(38,815,477)	(39,840,760)
Net Balances	942,695	254,690	206,535	4,436,772	5,840,692
Payments made in Advance:					
Gross Balances	-	-	-	341,047	341,047
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	341,047	341,047

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Sundry Deposits:					
Gross Balances	-	-	-	984,651	984,651
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	984,651	984,651
Sundry Debtors:					
Gross Balances	-	-	-	108,085,622	108,085,622
Less: Provision for Impairment	-	-	-	(97,003,713)	(97,003,713)
Net Balances	-	-	-	11,081,910	11,081,910

As at 30 June Receivables of R17 513 423 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	636,714	561,124	152,663,569	153,861,408
Less: Provision for Impairment	(382,024)	(354,589)	(135,819,189)	(136,555,803)
Net Balances	254,690	206,535	16,844,380	17,305,605

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2020				
<u>Current:</u>				
0 - 30 days	1,321,592	73,543	153,078	-
<u>Past Due:</u>				
31 - 60 Days	4,001,759	70,032	151,687	-
61 - 90 Days	747,324	68,795	150,676	-
+ 90 Days	50,386,760	1,466,500	4,305,321	-
Sub-total	56,457,435	1,678,870	4,760,762	-
Less: Provision for Impairment	(52,108,894)	(1,398,206)	-	-
Total Rates Debtors by Customer Classification	4,348,541	280,664	4,760,762	-
As at 30 June 2019				
<u>Current:</u>				
0 - 30 days	1,073,915	71,200	86,250	-
<u>Past Due:</u>				
31 - 60 Days	512,466	38,634	85,615	-
61 - 90 Days	443,511	32,002	85,611	-
+ 90 Days	38,824,319	1,254,718	3,173,212	-
Sub-total	40,854,211	1,396,554	3,430,688	-
Less: Provision for Impairment	(38,696,262)	(1,144,499)	-	-
Total Rates Debtors by Customer Classification	2,157,949	252,055	3,430,688	-

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	(136,844,473)	(124,466,759)
Impairment Losses recognised	(21,124,362)	(12,377,714)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Balance at end of year	(157,968,835)	(136,844,473)

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
<p>The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability. The impact of the covid-19 outbreak and the financial impact thereof on the payments received for settlement of outstanding debtors accounts was taken into consideration when the provision for doubtful debt was calculated. Refer to note 62 for further details on the going concern evaluation.</p> <p>In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the Municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.</p> <p>No Provision for Impairment has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Rates Assessment Deposits, which are not covering the total outstanding debt and vacant property respectively.</p> <p>Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.</p>		
5. CASH AND CASH EQUIVALENTS		
Current Investments	19,407,672	33,806,840
Bank Accounts	2,353,454	1,621,191
Bank Overdraft	(21,972,581)	(18,397,223)
Petty Cash	2,980	2,690
Total Bank, Cash and Cash Equivalents	(208,475)	17,033,497
<p>For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.</p>		
5.1 Current Investment Deposits		
Term Deposits	9,757,003	9,108,617
Call Deposits	9,650,669	24,698,224
Total Current Investment Deposits	19,407,672	33,806,840
<p>Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 1.60% to 5.55% per annum.</p> <p>Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 1.50% to 7.25% per annum.</p>		
Deposits attributable to Unspent Conditional Grants	7,789,129	29,309,656
Total Deposits attributable to Commitments of the Municipality	7,789,129	29,309,656
<p>Deposits of R7 789 129 (2019: R29 309 655) are ring-fenced and attributable to Unspent Conditional Grants.</p>		
5.2 Bank Accounts		
Cash in Bank	2,353,453.79	1,621,191
Bank Overdraft	(21,972,581)	(18,397,223)
Total Bank Accounts	(19,619,127)	(16,776,033)
<p>The Municipality has the following bank accounts:</p>		
Primary Bank Account		
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081</i>		
Cash book balance at beginning of year	(18,397,223)	(9,882,584)
Cash book balance at end of year	(21,972,581)	(18,397,223)
Bank statement balance at beginning of year	342,817	3,335,589
Bank statement balance at end of year	4,869,921	342,817

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
5. CASH AND CASH EQUIVALENTS (continued)		
Current Accounts		
<i>Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007</i>		
Cash book balance at beginning of year	253,098	224,487
Cash book balance at end of year	<u>284,003</u>	<u>253,098</u>
Bank statement balance at beginning of year	253,098	130,028
Bank statement balance at end of year	<u>283,764</u>	<u>253,098</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162</i>		
Cash book balance at beginning of year	691,405	30,263
Cash book balance at end of year	<u>460,583</u>	<u>691,405</u>
Bank statement balance at beginning of year	691,405	(117,732)
Bank statement balance at end of year	<u>460,583</u>	<u>691,405</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4081 497 012</i>		
Cash book balance at beginning of year	676,687	19,597
Cash book balance at end of year	<u>1,608,868</u>	<u>676,687</u>
Bank statement balance at beginning of year	676,688	1,043,787
Bank statement balance at end of year	<u>1,608,868</u>	<u>676,688</u>
Term Deposits		
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906</i>		
Cash book balance at beginning of year	9,088,794	8,463,785
Cash book balance at end of year	<u>9,736,049</u>	<u>9,088,794</u>
Bank statement balance at beginning of year	9,088,794	9,593,735
Bank statement balance at end of year	<u>9,736,049</u>	<u>9,088,794</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239</i>		
Cash book balance at beginning of year	19,822	18,817
Cash book balance at end of year	<u>20,954</u>	<u>19,822</u>
Bank statement balance at beginning of year	19,822	16,074
Bank statement balance at end of year	<u>20,954</u>	<u>19,822</u>
Call Deposits		
<i>First National Bank - De Aar Branch - Call Account Number 62338612105 / 808</i>		
Cash book balance at beginning of year	2,256	2,344
Cash book balance at end of year	<u>-</u>	<u>2,256</u>
Bank statement balance at beginning of year	2,256	2,487
Bank statement balance at end of year	<u>-</u>	<u>2,256</u>
<i>Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001</i>		
Cash book balance at beginning of year	151,042	144,054
Cash book balance at end of year	<u>157,897</u>	<u>151,042</u>
Bank statement balance at beginning of year	149,143	1,425,470
Bank statement balance at end of year	<u>155,998</u>	<u>149,143</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 388910356-002</i>		
Cash book balance at beginning of year	27,713	26,007
Cash book balance at end of year	<u>29,210</u>	<u>27,713</u>
Bank statement balance at beginning of year	27,713	1,035,740
Bank statement balance at end of year	<u>29,210</u>	<u>27,713</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 002</i>		
Cash book balance at beginning of year	50	50
Cash book balance at end of year	<u>-</u>	<u>50</u>
Bank statement balance at beginning of year	50	50
Bank statement balance at end of year	<u>-</u>	<u>50</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
5. CASH AND CASH EQUIVALENTS (continued)		
<i>First National Bank - De Aar Branch - Call Account Number 62630879221</i>		
Cash book balance at beginning of year	8,062	7,562
Cash book balance at end of year	<u>0</u>	<u>8,062</u>
Bank statement balance at beginning of year	8,062	7,452
Bank statement balance at end of year	<u>-</u>	<u>8,062</u>
<i>First National Bank - De Aar Branch - Call Account Number 62746296616</i>		
Cash book balance at beginning of year	80,924	76,278
Cash book balance at end of year	<u>(0)</u>	<u>80,924</u>
Bank statement balance at beginning of year	80,924	-
Bank statement balance at end of year	<u>-</u>	<u>80,924</u>
<i>First National Bank - De Aar Branch - Call Account Number 62755965583</i>		
Cash book balance at beginning of year	184,827	45,911
Cash book balance at end of year	<u>291,270</u>	<u>184,827</u>
Bank statement balance at beginning of year	184,827	-
Bank statement balance at end of year	<u>291,270</u>	<u>184,827</u>
<i>ABSA Bank Limited Call Deposit Account Number 9325381089</i>		
Cash book balance at beginning of year	24,243,350	3,764,405
Cash book balance at end of year	<u>2,757,127</u>	<u>24,243,350</u>
Bank statement balance at beginning of year	24,243,350	-
Bank statement balance at end of year	<u>2,757,127</u>	<u>24,243,350</u>
<i>ABSA Bank Limited Call Deposit Account Number 9357761647</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>6,415,166</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>6,415,166</u>	<u>-</u>

5.3 Cash and Cash Equivalents

Cash Floats and Advances	2,980	2,690
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>2,980</u>	<u>2,690</u>

The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

The Municipality has provided Eskom Holdings Limited with a written guarantee, which have special conditions attached, to the value of R6 160 000.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

6. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	12,015	12,015
Operating Lease de-recognised	(12,015)	-
Operating Lease Revenue effected	-	-
Total Operating Lease Receivables	<u>-</u>	<u>12,015</u>
Less: Amounts due for settlement within 12 months (Current Portion)	-	(4,542)
Total Operating Lease Receivables	<u>-</u>	<u>7,473</u>

6.1 Leasing Arrangements

The Municipality as Lessor:

It was decided in the 2020 financial year for the municipality to de-recognise the operating lease asset, as it is no longer applicable to the municipality.

6.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	-	4,542
2 to 5 years	-	7,473
More than 5 years	-	-
Total Operating Lease Arrangements	<u>-</u>	<u>12,015</u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R0 (2019: decrease of R0) in current year income.

The following restrictions have been imposed by the Municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. PROPERTY, PLANT AND EQUIPMENT

30 June 2020

Reconciliation of Carrying Value

Description	Buildings	Land	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R		R	R	R	R	R	R	R
Carrying values at 1 July 2019	86,853,409	13,826,786	633,083,721	705,075	2,115,359	1,909,510	4,903,061	1,040,187	744,437,970
Cost	205,447,919	13,826,786	1,965,857,348	2,882,825	8,361,858	6,453,366	8,962,543	10,136,456	2,221,929,102
- Completed Assets	205,212,919	13,826,786	1,933,016,652	2,882,825	8,361,858	6,453,366	8,962,543	10,136,456	2,188,853,405
- Under Construction	235,000	-	32,840,696	-	-	-	-	-	33,075,696
Accumulated Impairment Losses	(1,484,884)	-	-	(26,443)	(59,738)	(20,727)	(196,491)	-	(1,788,283)
Accumulated Depreciation	(117,109,626)	-	(1,332,773,628)	(2,151,307)	(6,186,761)	(4,523,129)	(3,862,992)	(9,096,269)	(1,475,703,712)
Acquisitions	-	-	22,532,624	6,884	59,256	6,517	-	-	22,605,282
Capital under Construction - Additions	10,320,248	-	23,447,484	-	-	-	-	-	33,767,732
Transfer from Assets Under Construction to Completed Assets	-	-	(22,532,624)	-	-	-	-	-	(22,532,624)
Depreciation	(5,464,132)	-	(42,499,310)	(318,344)	(394,705)	(379,255)	(223,952)	(815,074)	(50,094,772)
Transfer to Investment Property	-	-	-	-	-	-	-	-	-
Carrying value of Disposals	(65,559)	-	(724)	(10,275)	(13,205)	(510)	(111,450)	-	(201,723)
- Cost	(327,974)	-	(300,978)	(501,513)	(412,757)	(98,973)	(539,653)	-	(2,181,849)
- Accumulated Impairment Losses	-	-	-	26,400	56,701	19,149	196,491	-	298,741
- Accumulated Depreciation	262,415	-	300,253	464,838	342,851	79,314	231,712	-	1,681,384
Impairment Losses	(2,781,483)	-	(6,006,247)	-	-	-	-	-	(8,787,730)
Carrying values at 30 June 2020	88,862,482	13,826,786	608,024,923	383,340	1,766,705	1,536,262	4,567,659	225,114	719,193,271
Cost	215,440,193	13,826,786	1,989,003,855	2,388,196	8,008,357	6,360,910	8,422,890	10,136,456	2,253,587,642
- Completed Assets	204,884,945	13,826,786	1,955,248,299	2,388,196	8,008,357	6,360,910	8,422,890	10,136,456	2,209,276,838
- Under Construction	10,555,248	-	33,755,556	-	-	-	-	-	44,310,804
Accumulated Impairment Losses	(4,266,367)	-	(6,006,247)	(43)	(3,037)	(1,578)	0	-	(10,277,272)
Accumulated Depreciation:	(122,311,344)	-	(1,374,972,684)	(2,004,813)	(6,238,615)	(4,823,070)	(3,855,231)	(9,911,342)	(1,524,117,100)

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2019

Reconciliation of Carrying Value

Description	Buildings	Land	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
Carrying values at 1 July 2018	93,796,416	13,827,586	653,616,984	1,047,466	2,639,855	2,228,262	5,169,446	3,868,506	776,194,520
Cost	205,567,202	13,827,586	1,953,917,961	3,139,809	9,468,296	6,638,618	9,037,792	10,698,272	2,212,295,536
- Completed Assets	205,332,202	13,827,586	1,929,183,375	3,139,809	9,468,296	6,638,618	9,037,792	10,698,272	2,187,325,950
- Under Construction	235,000	-	24,734,587	-	-	-	-	-	24,969,587
Accumulated Impairment Losses	-	-	-	(17,173)	(58,965)	(18,998)	(196,491)	-	(291,626)
Accumulated Depreciation	(111,770,785)	-	(1,300,300,977)	(2,075,171)	(6,769,476)	(4,391,359)	(3,671,856)	(6,829,766)	(1,435,809,390)
Acquisitions	-	-	3,833,277	56,800	180,293	128,387	-	594,355	4,793,112
Capital under Construction - Additions	-	-	22,280,608	-	-	-	-	-	22,280,608
Transfer from Assets Under Construction to Completed Assets	-	-	(3,833,277)	-	-	-	-	-	(3,833,277)
Depreciation	(5,457,334)	-	(42,440,369)	(333,759)	(428,876)	(379,983)	(226,587)	(3,422,674)	(52,689,581)
Carrying value of Disposals	(789)	(800)	(373,503)	(56,142)	(274,490)	(65,002)	(39,798)	-	(810,524)
- Cost	(119,282)	(800)	(10,341,221)	(313,784)	(1,286,731)	(313,638)	(75,250)	(1,156,171)	(13,606,878)
- Accumulated Impairment Losses	-	-	-	19	651	424	-	-	1,094
- Accumulated Depreciation	118,493	-	9,967,718	257,622	1,011,591	248,212	35,452	1,156,171	12,795,260
Transfer to non-current assets	-	-	-	-	-	-	-	-	-
Impairment Losses	(1,484,884)	-	-	(9,290)	(1,424)	(2,154)	-	-	(1,497,751)
Carrying values at 30 June 2019	86,853,409	13,826,786	633,083,721	705,075	2,115,359	1,909,510	4,903,061	1,040,187	744,437,107
Cost	205,447,919	13,826,786	1,965,857,348	2,882,825	8,361,858	6,453,366	8,962,543	10,136,456	2,221,929,102
- Completed Assets	205,212,919	13,826,786	1,933,016,652	2,882,825	8,361,858	6,453,366	8,962,543	10,136,456	2,188,853,405
- Under Construction	235,000	-	32,840,696	-	-	-	-	-	33,075,696
Accumulated Impairment Losses	(1,484,884)	-	-	(26,443)	(59,738)	(20,727)	(196,491)	-	(1,788,283)
Accumulated Depreciation:	(117,109,626)	-	(1,332,773,628)	(2,151,307)	(6,186,761)	(4,523,129)	(3,862,992)	(9,096,269)	(1,475,703,712)

Refer to Appendices B, C and E (4) for more detail on Property, Plant and Equipment, including those in the course of construction.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

7.2 Work-in Progress

30 June 2020	Buildings	Roads	Electricity	Water	Sewerage	Total
Opening balance at 1 July	235,000	21,195,465	1,758,195	7,597,365	12,630,892	43,416,917
Additions	10,320,248	1,637,177	2,633,501	18,886,117	290,689	33,767,732
Transferred to Completed Projects	-	-21,254,058	-1,278,566	-	-	-22,532,624.11
Closing balance at 30 June	10,555,248	1,578,584	3,113,130	26,483,482	12,921,581	54,652,025
30 June 2019	Buildings	Roads	Electricity	Water	Sewerage	Total
Opening balance at 1 July	235,000	13,262,236	-	5,558,377	5,913,973	24,969,586
Additions	-	9,783,927	3,740,775	2,038,988	6,716,919	22,280,608
Transferred to Completed Projects	-	-1,850,698	-1,982,580	-	-	-3,833,277
Closing balance at 30 June	235,000	21,195,465	1,758,195	7,597,365	12,630,892	43,416,917

Projects taking a significant amount of time to complete:

De Aar Sport Facility: During the 2015 financial year, the municipality received funding for the construction of a sport facility (athletics field). The municipality performed a feasibility study and spent R235 000 on the study. No further costs have been incurred on the project and the remaining funds have been included as Unspent Conditional Grants.

Please refer to Note 16: Unspent Conditional Grants for the unspent portion withheld.

No retention funds are applicable to the project.

Roads and Storm Water Project: During the 2016 financial year, the municipality embarked on the upgrading of roads and storm water within various towns within the municipal boundaries. Due to contractors not performing, the project is taking longer than expected.

The projects are funded by the MIG and all unspent portions have been disclosed in Note 16: Unspent Conditional Grants.

Projects halted during current or previous financial year:

None were halted during the current or previous financial year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
7. PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.2 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.		
7.3 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
7.4 Assets pledged as security		
The Municipality did not pledge any of its assets as security.		
7.5 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R8 787 730 (2019: 1 497 751) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 36.		
The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses.		
The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has only been partially impaired as it still in use.		
7.6 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Infrastructure assets	(8,562)	(13,156,562)
Other assets	(31,536)	(788,213)
Intangible Assets	-	(418,772)
Buildings	-	(70,021)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(40,097)	(14,433,568)
The change in estimates will result in a decrease of R40 097 (2019: R14 433 568) in the depreciation expense for the Municipality over the next three financial years.		
7.7 Land and Buildings carried at Fair Value		
The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
8. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation	49,711	101,890
The movement in Intangible Assets is reconciled as follows:		
Carrying values at 1 July	101,890	136,551
Cost	2,203,152	2,170,042
Accumulated Amortisation	(2,101,261)	(2,033,491)
Acquisitions	24,518	33,110
Amortisation	(76,697)	(67,770)
Carrying values at 30 June	49,711	101,890
Cost	2,227,670	2,203,152
Accumulated Amortisation	(2,177,959)	(2,101,261)
The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 35).		
All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.		
No restrictions apply to any of the Intangible Assets of the Municipality.		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets

The Municipality does not currently have significant intangible assets in value when compared to other assets in the same category.

8.2 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

9. INVESTMENT PROPERTY

At Fair Value	5,718,600	5,718,600
---------------	-----------	-----------

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	5,718,600	5,718,600
Fair Value	5,718,600	5,718,600

Net Gains / (Losses) from Fair Value Adjustments	-	-
Disposals during the Year	-	-

Carrying values at 30 June	5,718,600	5,718,600
Fair Value	5,718,600	5,718,600

Estimated Fair Value of Investment Property at 30 June	5,718,600	5,718,600
---	------------------	------------------

All of the Municipality's Investment Property is held under freehold interests and no Investment Property has been pledged as security for any liabilities of the Municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

9.1 Investment Property carried at Fair Value

The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties and the professional judgement of the valuer from time to time when the circumstances requires.

9.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the Municipality at the reporting

10. HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	6,959,273	6,959,273
--	-----------	-----------

The movement in Heritage Assets is reconciled as follows:

	Historical Sites	Cultural Buildings	Historical Assets	Total
Carrying values at 1 July 2019	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
Carrying values at 30 June 2020	294,501	5,340,072	1,324,700	6,959,273

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

			2020 R	2019 R
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment Losses	-	-	-	-
	Historical Sites	Cultural Buildings	Historical Assets	Total
Carrying values at 1 July 2018	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
Carrying values at 30 June 2019	294,501	5,340,072	1,324,700	6,959,273
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment Losses	-	-	-	-

All of the Municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Heritage Assets of the Municipality.

Refer to Appendix "B" for more detail on Heritage Assets.

10.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the Municipality at the reporting date.

11. NON-CURRENT INVESTMENTS

Listed

Listed Shares	27,690	29,209
---------------	--------	--------

Total Investments

All Investments	27,690	29,209
Less: Short-term Portion transferred to Current Investments	-	-

Total Non-current Investments

	27,690	29,209
--	--------	--------

Market valuation of Listed Investments

Listed Shares	27,690	29,209
---------------	--------	--------

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

The Management of the Municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

12. LONG-TERM RECEIVABLES

Other Loans	-	10
Less: Provision for Impairment	-	-
	-	10
Less: Current Portion transferred to Current Receivables	-	-
Other Loans	-	-
Total Long-term Receivables	-	10

The Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the Municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

The management of the Municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

13. CONSUMER DEPOSITS

Electricity and Water	2,518,499	2,414,796
-----------------------	-----------	-----------

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Total Consumer Deposits	2,518,499	2,414,796

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	11,168,904	9,373,357
Eskom Creditor	84,711,138	47,744,119
Payments Received in Advance	7,550,821	6,409,649
Retentions	3,933,334	1,411,303
Staff Bonuses	2,727,852	2,640,224
Sundry Deposits	363,804	355,570
Other Creditors	15,949,604	13,237,720
Salary Control Account	(4,882)	(4,473)
Accrued Leave	8,246,747	7,475,297
Total Payables	134,647,323	88,642,766

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The Municipality did default on payment of its Creditors. However, other than the payment arrangement entered with Eskom, no terms for payment have been re-negotiated by the Municipality.

The significant increase in creditors from exchange transactions is attributable to the increase in the amount owed to Eskom. The decrease in other creditors is a result in the municipality honoring the payment arrangement held with Eskom.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments Received in Advance	3,058,942	3,189,968
Total Payables	3,058,942	3,189,968

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government	7,789,129	29,309,656
National Government Grants	5,903,203	25,255,036
Provincial Government Grants	1,885,926	4,054,619
Total Conditional Grants and Receipts	7,789,129	29,309,656

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
17. VAT Payable/(Receivable)		
VAT Payable/(Receivable)	(11,965,763)	(4,742,283)
VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.		
18. LONG-TERM LIABILITIES		
Finance Lease Liability	240,852	1,531,184
Sub-total	240,852	1,531,183
Less: Current Portion transferred to Current Liabilities	(240,852)	(240,845)
Finance Lease Liability	(240,852)	(240,845)
Total Long-term Liabilities (Neither past due, nor impaired)	-	1,290,339
18.1 Summary of Arrangements		
The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.		
The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.		
Refer to Appendix "A" for more detail on Long-term Liabilities.		
18.2 Breach of Loan Agreement		
The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.		
19. EMPLOYEE BENEFIT LIABILITIES		
Post-retirement Health Care Benefits Liability	17,138,001	19,633,453
Long Service Awards Liability	4,266,000	4,138,973
Total Employee Benefit Liabilities	21,404,001	23,772,426
19.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	20,904,749	21,905,361
Contributions to Provision	553,970	638,119
Increase due to Discounting	1,843,719	1,995,590
Expenditure incurred	(1,271,296)	(1,289,733)
Actuarial (Gains) /Losses	(3,569,141)	(2,344,588)
Balance at end of Year	18,462,001	20,904,749
Transfer to Current Employee benefits	(1,324,000)	(1,271,296)
Total Post-retirement Health Care Benefits Liability	17,138,001	19,633,453
The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	44	45
In-service Non-members (Employees)	285	283
Continuation Members (Retirees, widowers and orphans)	28	28

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R			
Total Members	357	356			
The liability in respect of past service has been estimated as follows:					
In-service Members	5,316,000	6,200,480			
Continuation Members	13,146,000	14,704,269			
Total Liability	18,462,000	20,904,749			
The Municipality makes monthly contributions for health care arrangements to the following Medical Aid					
- Bonitas					
- Keyhealth					
- LA Health					
- Samwumed					
The Current-service Cost for the year ending 30 June 2020 is estimated to be R553 970, whereas the cost for the ensuing year is estimated to be R488 000					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	9.64%	9.09%			
Health Care Cost Inflation Rate	5.81%	6.62%			
Net Effective Discount Rate	3.62%	2.32%			
Expected Retirement Age - Females	62	62			
Expected Retirement Age - Males	62	62			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	20,904,749	21,905,361			
Current service costs	553,970	638,119			
Interest cost	1,843,719	1,995,590			
Benefits paid	(1,271,296)	(1,289,733)			
Actuarial losses / (gains)	(3,569,141)	(2,344,588)			
Total Recognised Benefit Liability	18,462,001	20,904,749			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	18,462,001	20,904,749			
Total Benefit Liability	18,462,001	20,904,749			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	553,970	638,119			
Interest cost	1,843,719	1,995,590			
Expenditure incurred	(1,271,296)	(1,289,733)			
Actuarial losses / (gains)	(3,569,141)	(2,344,588)			
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	(2,442,748)	(1,000,612)			
The history of experienced adjustments is as follows:					
	2020 R	2019 R	2018 R	2017 R	2016 R
Present Value of Defined Benefit Obligation	18,462,001	20,904,749	33,804,539	37,181,976	34,976,976
Deficit	20,904,749	21,905,361	37,181,976	34,976,976	34,976,976
Experienced adjustments on Plan Liabilities	22,031,142	23,249,337	41,571,006	39,087,630	36,064,964
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost				2,768,500	3,041,500
Effect on the long service award liability				20,620,000	23,630,000
Decrease:					
Effect on the aggregate of the current service cost and the interest cost				2,096,400	2,300,000
Effect on the long service award liability				16,645,000	18,644,000
The Municipality expects to make a contribution of R1 271 296 (2019: R1 289 783) to the Defined Benefit Plans during the next financial year.					

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Refer to Note 56 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.		
19.2 Long Service Awards Liability		
Balance at beginning of Year	4,702,406	4,371,640
Contributions to Provision	509,917	413,229
Increase due to Discounting	357,634	336,015
Expenditure incurred	(563,433)	(748,471)
Actuarial (Gains) /Losses	(135,524)	329,993
Balance at end of Year	4,871,000	4,702,406
Transfer to Current Employee benefits	(605,000)	(563,433)
Total Long Service Awards Liability	4,266,000	4,138,973
The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
At year end, 329 (2019: 328) employees were eligible for Long-services Awards.		
The Current-service Cost for the year ending 30 June 2020 is estimated to be R509 917 (2019: R413 228), whereas the cost for the ensuing year is estimated to be R497 000		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.11%	8.08%
Cost Inflation Rate	3.81%	5.51%
Net Effective Discount Rate	3.18%	2.44%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	4,702,406	4,371,640
Current service costs	509,917	413,229
Interest cost	357,634	336,015
Benefits paid	(563,433)	(748,471)
Actuarial losses / (gains)	(135,524)	329,993
Total Recognised Benefit Liability	4,871,000	4,702,406
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4,871,000	4,702,406
Total Benefit Liability	4,871,000	4,702,406
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	509,917	413,229
Interest cost	357,634	336,015
Benefits paid	(563,433)	(748,471)
Actuarial losses / (gains)	(135,524)	329,993
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	168,594	330,766
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	931,500	800,200
Effect on the long service award liability	4,985,000	4,985,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	809,700	703,000
Effect on the long service award liability	4,444,000	4,444,000
The Municipality expects to make a contribution of R563 433 (2019: R748 471) to the Defined Benefit Plans during the next financial year.		

20. NON-CURRENT PROVISIONS

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Provision for Rehabilitation of Land-fill Sites	51,656,159	55,674,168
Total Non-current Provisions	<u>51,656,159</u>	<u>55,674,168</u>
The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:		
Balance at beginning of year	55,674,168	46,936,726
Contributions to provision	(4,018,010)	8,737,442
	<u>51,656,159</u>	<u>55,674,168</u>
Transfer to current provisions	-	-
Balance at end of year	<u>51,656,159</u>	<u>55,674,168</u>

20.1 Rehabilitation of Land-fill Sites

The Municipality will incur rehabilitation cost on its three dumping/landfill sites in the periods 2030/2031 for Britstown, 2028/2029 for Hanover and 2029/2030 for De Aar. Provision has been made for the net present value of this cost. As at 30 June 2020 there were no foreseeable future events that may have an effect on below dates and or values.

	Proposed Rehabilitation	Total area Size (m ²)	Unit cost (R/m ²)		
Britstown Landfill	2031/2032	11623.00	385.30	3,098,431	3,053,469
De Aar Landfill	2028/2029	183214.00	338.56	45,945,173	49,870,370
Hanover Landfill	2029/2030	8139.00	417.25	2,612,555	2,750,330
				<u>51,656,159</u>	<u>55,674,168</u>

21. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	2,252,793	2,252,793
Accumulated Surplus / (Deficit) due to the results of Operations	638,216,727	674,584,559
Total Accumulated Surplus	<u>640,469,520</u>	<u>676,837,352</u>

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

22. PROPERTY RATES

	Property Valuations		Actual Levies	
	2020 R000's	2019 R000's	2020	2019
Residential	4,177,521,764	4,058,947,000	28,112,357	23,239,821
Commercial	281,821,995	277,907,000	4,933,112	4,607,214
State	312,184,000	310,591,000	5,640,239	5,344,156
Total Property Rates	<u>4,771,527,759</u>	<u>4,647,445,000</u>	<u>38,685,708</u>	<u>33,191,190</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2017.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A rebate of 100.00% (2019: 100.00%) was allowed on residential properties whose market value is R 28 000 and less and agriculture properties are levied as per Government Gazette of 2009.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

23. FINES

Penalties for Consumers	173,290	449,283
-------------------------	---------	---------

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Traffic Fines	8,217,524	13,182,409
Total Fines	8,390,815	13,631,692

25. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	44,899,883	40,793,000
Provincial: Housing Accreditation	680,000	680,000
Provincial: Sports, Arts and Culture (Library Grant)	693,000	693,000
Operational Grants	46,272,883	42,166,000

Conditional Grants	41,331,971	26,274,955
National: EPWP	568,374	1,000,000
National: FMG	1,700,000	1,700,000
National: MIG	15,806,797	9,724,553
National: Integrated National Electrification Programme (INEP)	1,497,800	4,000,000
National: Water Services Infrastructure Grant	-	8,450,914
Covid Relief grant	149,000	-
National: Regional Bulk Infrastructure Grant (RBIG)	21,610,000	1,399,488

Total Government Grants and Subsidies	87,604,854	68,440,955
--	-------------------	-------------------

Government Grants and Subsidies:

Conditional Grants - Capital	38,200,121	22,358,722
Conditional Grants - Operational	2,982,850	4,126,156
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	46,421,883	42,166,000

Total Government Grants and Subsidies	87,604,854	68,650,878
--	-------------------	-------------------

Summary of Transfers:

Conditions met - transferred to Revenue: Operating Expenses	49,404,733	46,292,156
Conditions met - transferred to Revenue: Capital Expenses	38,200,121	22,358,722

Total Transfers	87,604,854	68,650,878
------------------------	-------------------	-------------------

Operational Grants:

25.1 National: Equitable Share	44,899,883	40,793,000
---------------------------------------	-------------------	-------------------

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R148 (2019: R148), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

25.2 Provincial: Sports, Arts and Culture (Library Grant)

Balance unspent at beginning of year	-	-
Current year receipts	693,000	693,000
Conditions met - transferred to Operating Revenue	(693,000)	(693,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

This grant was allocated for the upgrading of library equipment and operating expenses.

25.3 Provincial: Housing Accreditation

Balance unspent at beginning of year	-	-
Current year receipts	680,000	680,000
Conditions met - transferred to Operating Revenue	(680,000)	(680,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department as well as other operational expenses.

Conditional Grants:

25.4 National: Expanded Public Works Programme

Balance unspent at beginning of year	(0)	(0)
Current year receipts	1,220,000	1,000,000

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	(568,374)	(1,000,000)
Conditions still to be met - transferred to Current liabilities (see note 16)	<u>651,625</u>	<u>(0)</u>

This grant was used for the upgrading of Roads facilities. At yearend, not all conditions were met, resulting in an unspent amount being disclosed.

25.5 National: Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	1,700,000	1,700,000
Conditions met - transferred to Operating Revenue	(1,700,000)	(1,700,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.

25.6 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	175,447	-
Repayment of prior year unspent funds	(175,447)	-
Current year receipts	21,710,000	9,900,000
Conditions met - transferred to Operating Revenue	(1,282,850)	(600,000)
Conditions met - transferred to Capital Revenue	(14,523,947)	(9,124,553)
Conditions still to be met - transferred to Current liabilities (see note 16)	<u>5,903,203</u>	<u>175,447</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix B).

At yearend, not all conditions were met in respect to the upgrading of infrastructure. This resulted in an unspent portion being recognised. COGTA did however already gave approval for the municipality to utilise the unspent MIG as disclosed at the end of 2020 for the application of sewerage connections in Britstown in the 2021 financial year.

25.7 Provincial: Department of Water Affairs

Balance unspent at beginning of year	-	15,621
Current year receipts	-	-
Long still standing grant with no payback expectancy	-	(15,621)
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	<u>-</u>	<u>-</u>

This grant was used to cover the cost relating to new water meters and the installation thereof. It was decided, due to the fact that there is no expectancy of the municipality to pay the unspent portion back, to realise the income.

25.8 Provincial: Sports, Arts and Culture (Phundulwazi Upgrade)

Balance unspent at beginning of year	-	150,000
Current year receipts	-	-
Long still standing grant with no payback expectancy	-	(150,000)
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	<u>-</u>	<u>-</u>

This grant was allocated for the upgrade of the Phandulwazi Library in accordance with the submitted business plan. It was decided, due to the fact that there is no expectancy of the municipality to pay the unspent portion back, to realise the income.

25.9 Provincial: Department of Education

Balance unspent at beginning of year	1,232,100	1,232,100
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	<u>1,232,100</u>	<u>1,232,100</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
At yearend, not all conditions were met in respect to the construction of the athletics field as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.		
25.10 Provincial: Department of Roads		
Balance unspent at beginning of year	-	267,600
Current year receipts	-	-
Long still standing grant with no payback expectancy	-	(267,600)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

This grant was allocated for the construction and upgrading of roads within the Nonzwakazi area. It was decided, due to the fact that there is no expectancy of the municipality to pay the unspent portion back, to realise the income.

25.11 National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	-	-
Current year receipts	1,500,000	4,000,000
Conditions met - transferred to Revenue: Operating Expenses	-	(521,738)
Conditions met - transferred to Revenue: Capital Expenses	(1,497,800)	(3,478,262)
Conditions still to be met - transferred to Current liabilities (see note 16)	2,200	-

This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries. Not all conditions attached to the grant were met. Resulting in an unspent portion being accounted for.

25.12 Other Local Government

Balance unspent at beginning of year	-	39,188
Current year receipts	-	-
Long still standing grant with no payback expectancy	-	(39,188)
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. It was decided, due to the fact that there is no expectancy of the municipality to pay the unspent portion back, to realise the income.

25.13 National: Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	25,079,589	-
Repayment of prior year unspent grants	(25,079,589)	-
Current year receipts	21,610,000	26,689,000
Conditions met - transferred to Operating Revenue	-	(209,923)
Conditions met - transferred to Capital Revenue	(21,610,000)	(1,399,488)
Conditions still to be met - transferred to Current liabilities (see note 16)	-	25,079,589

This grant was utilised in the construction of a oxidation pond in Britstown. At yearend, all funds relating to this grant was spent, resulting in no unspent portion being disclosed.

25.14 National: Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	2,822,519	1,773,433
Repayment of prior year unspent grant	(2,822,519)	-
Current year receipts	-	9,500,000
Conditions met - transferred to Operating Revenue	-	(1,094,495)
Conditions met - transferred to Capital Revenue	-	(7,356,419)
Conditions still to be met - transferred to Current liabilities (see note 16)	0	2,822,519

The Water Services Infrastructure Grant was used for rehabilitation of boreholes as well as for sewer projects. In the 2020 year, no WSIG grants were received, resulting in the municipality to pay back the prior year unspent portion.

25.15 National: Covid Relief Grant

Balance unspent at beginning of year	-	-
Current year receipts	149,000	-
Conditions met - transferred to Operating Revenue	(149,000)	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Conditions met - transferred to Capital Revenue	-	-
Conditions still to be met - transferred to Current liabilities (see note 16)	-	-

The Covid Relief Grant was received to assist with the hygiene expenditure of the municipality to help with the prevention of spread of the corona virus.

25.16 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.

26. SERVICE CHARGES

Sale of Electricity	82,077,132	75,489,261
Sale of Water	27,723,708	25,543,341
Refuse Removal	7,034,181	6,420,796
Sewerage and Sanitation Charges	13,246,444	12,299,734
Other Service Charges	1,218,120	1,055,827
Total Service Charges	131,299,585	120,808,959

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

27. LICENSES AND PERMITS

DTSL License income	383,961	-
Driver and learner licenses	314,752	1,281,203
Total Licenses and permits	698,713	1,281,203

28. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Halls	67,608	116,258
Rental Revenue from Land	690,137	694,048
Rental Revenue from Other Facilities	17,494	31,711
Total Rental of Facilities and Equipment	775,239	842,017

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

29. INTEREST EARNED

Property Rates:		
Interest / Penalties Raised	795,393	561,272
	795,393	561,272
External Investments:		
Bank Account	435,908	192,525
Investments	1,377,647	1,762,224
Other Deposits	-	-
	1,813,555	1,954,749
Outstanding Debtors:		
Long-term Debtors	500	4,014
Outstanding Billing Debtors	1,776,112	1,502,313
	1,776,613	1,506,328
Total Interest Earned	4,385,561	4,022,348
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	1,813,555	1,954,749
Loans and Receivables	2,572,006	2,067,599
	4,385,561	4,022,348

Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 43.

30. OTHER REVENUE

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Building Plan Fees	135,569	152,131
Grave Fees	435,424	350,577
Sundries Levies	402,323	283,406
Reconnection Fees	41,644	49,517
Insurance Received	1,590,686	469,491
Tender Documents	15,500	29,500
Other Non-material Income	22,305	160,203
Total Other Revenue	2,643,452	1,494,826

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

31. PROFIT (LOSS) ON SALE OF LAND

Proceeds on Sale of Land	53,000	-
Cost of Sale of Land	(57,750)	(1,589)
Total Profit/(loss) on Sale of Land	(4,750)	(1,589)

32. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	65,990,321	60,814,788
Basic Salaries and Wages	58,541,828	54,427,185
Ward Committee Remuneration	310,500	220,500
Long Service Awards	362,019	654,243
Leave Encashed	1,218,687	1,061,828
Performance Bonuses	779,883	196,591
Service Bonuses	4,777,405	4,254,442
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	12,614,199	11,760,714
Group Life	50,624	46,307
Medical	1,662,005	1,527,380
Pension	9,700,653	8,937,561
Industrial Council Levy	36,991	35,018
Skills Development Levy	621,577	690,964
UIF	542,349	523,483
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	5,423,690	4,947,451
Allowances	3,795,556	3,419,343
Pensioners Allowances	1,628,135	1,528,107
Housing Benefits and Allowances	242,679	443,211
Overtime Payments	4,435,369	4,367,524
Defined Benefit Plan Expense:	(2,442,748)	(1,000,612)
Current Service Cost	553,970	638,119
Interest Cost	1,843,719	1,995,590
Net Actuarial (gains)/losses recognised	(1,271,296)	(1,289,733)
Vested Past Service Cost	(3,569,141)	(2,344,588)
Long-service Award Liability Expense:	168,594	330,766
Current Service Cost	509,917	413,229
Interest Cost	357,634	336,015
Net Actuarial (gains)/losses recognised	(563,433)	(748,471)
Vested Past Service Cost	(135,524)	329,993
Total Employee Related Costs	86,432,105	81,663,841

No advances were made to employees.

Included in Employee Related Costs is an amount of R2 442 748 (2019: R1 000 612) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	835,240	803,623
Service Bonus	66,763	66,763
Performance Bonus	200,330	42,878
Car and Other Allowances	404,191	401,787
Company Contributions to UIF, Medical and Pension Funds	160,017	158,755
Total	1,666,542	1,473,807

Remuneration of the Chief Financial Officer

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Annual Remuneration	696,153	525,732
Service Bonus	25,556	43,811
Performance Bonus	-	23,787
Car and Other Allowances	266,025	430,826
Company Contributions to UIF, Medical and Pension Funds	67,281	50,010
Total	1,055,015	1,074,166
Remuneration of the Director: Corporate Services		
Annual Remuneration	614,560	582,598
Service Bonus	48,750	46,412
Performance Bonus	118,378	77,849
Car and Other Allowances	283,854	284,274
Company Contributions to UIF, Medical and Pension Funds	166,281	162,879
Total	1,231,823	1,154,012
Remuneration of the Director: Community and Development Services		
Annual Remuneration	520,936	566,557
Service Bonus	40,571	40,571
Performance Bonus	107,139	-
Car and Other Allowances	264,475	248,765
Company Contributions to UIF, Medical and Pension Funds	151,558	118,098
Total	1,084,679	973,991
Remuneration of the Director: Infrastructure and Housing Services		
Annual Remuneration	765,203	783,153
Service Bonus	103,849	60,755
Performance Bonus	127,545	52,076
Car and Other Allowances	316,270	163,010
Company Contributions to UIF, Medical and Pension Funds	48,308	152,587
Total	1,361,176	1,211,580

No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.

33. REMUNERATION OF COUNCILORS

Mayor	611,010	581,298
Speaker	488,807	465,038
Councilors	2,735,735	2,606,875
Company Contributions to UIF, Medical and Pension Funds	45,058	44,029
Other Allowances (Cellular Phones, Housing, Transport, etc.)	1,838,449	1,804,877
Total Councilors' Remuneration	5,719,058	5,502,117

Remuneration of Councilors:

In-kind Benefits

Councilors may utilise official Council transportation when engaged in official duties.

The Mayor has use of a Council owned vehicle for official duties.

34. OPERATING LEASE EXPENSES

Office equipment	168,442	85,075
Fleet vehicles	3,978,677	-
Total Collection Costs	4,147,119	85,075

35. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	50,094,772	52,689,581
Amortisation: Intangible Assets	76,697	67,770
Total Depreciation and Amortisation	50,171,470	52,757,352

36. IMPAIRMENT LOSSES

36.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment	8,787,730	1,497,751
Intangible Assets	-	-
	8,787,730	1,497,751

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
36.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	38,813,027	61,401,563
Receivables from Exchange Transactions	17,688,666	43,956,909
Receivables from Non-exchange Transactions	21,124,362	17,444,654
	38,813,027	61,401,563
Total Impairment Losses	47,600,758	62,899,314
37. REPAIRS AND MAINTENANCE		
Materials	6,964,606	9,270,146
Labour	1,110,247	3,200,470
Total Repairs and Maintenance	8,074,853	12,470,616
38. FINANCE COSTS		
Bank Overdraft	8,764	20,636
Finance Leases	76,658	540,776
Overdue Creditors	7,855,687	4,978,430
Landfill Provision	(4,018,010)	8,737,442
Total Interest Paid on External Borrowings	3,923,099	14,277,284
The weighted average capitalisation rate on funds borrowed generally is 0.00% per annum (2019: 0.00% per annum).		
39. BULK PURCHASES		
Electricity	67,610,105	60,071,589
Water	2,516,041	2,634,043
Total Bulk Purchases	70,126,146	62,705,633
Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the Municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from various sources.		
40. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	132,801	192,418
Assessment Rates and Municipal Charges	5,435,199	7,511,711
Audit Fees	2,957,545	3,372,478
Bank Charges	805,822	652,301
Branding of the Municipality	-	32,492
Cleaning Materials	158,698	232,193
Commission	1,918,461	3,036,288
Conference Fees	7,200	126,903
Driving License Fees	85,478	118,782
Electricity Rural Water Pumps	2,406,189	2,077,532
Entertainment	16,824	91,859
Festivals	-	10,100
Fuel and Oil	3,911,638	4,399,818
Grave Excavations	281,472	267,305
HR Employee Wellness	1,707,774	3,002,244
IDP Review	2,826	-
Insurance	1,473,073	1,040,326
Internal Audit	547,275	160,071
Legal Costs	68,569	540,188
Levies: SALGA	864,979	804,229
License Fees and Subscriptions	226,662	126,145
Motor Vehicle Expenses	182,629	253,659
Printing and Stationery	927,300	1,019,703
Professional Services	2,637,486	4,362,353
Protective Clothing	1,953,403	240,013
Security Services	2,752,827	3,091,450
Sundry Expenses	17,023	81,179
Strategic Planning Expenses	8,491	91,731

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Telephone Cost	1,476,402	1,653,362
Training Costs	77,140	60,136
Travelling and Subsistence	1,343,285	1,756,502
Water	64,688	139,532
Youth Development Programme	-	63,370
Total General Expenses	34,449,161	40,608,375

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

41. OTHER GAINS AND LOSSES

Change in Fair Value of Financial Assets designated as at FVTPL	(1,519)	1,155
Inventory adjustments	-	111,158
Net Other Gains and (Losses)	(1,519)	112,313

No other gains or losses have been recognised in respect of Loans and Receivables or Held-to-Maturity Investments, other than as disclosed in Note 12 and Impairment Losses recognised/reversed in respect of Trade Receivables (see Notes 4, 5 and 30).

42. GAINS / LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Proceeds on Sale of Assets	-	-
Assets Disposed at Carrying Value:	(201,723)	(808,936)
Cost of Disposed Assets	(2,181,849)	(13,486,796)
Accumulated Depreciation of Disposed Assets	1,681,384	12,676,766
Accumulated Impairment of Disposed Assets	298,741	1,094
Total Gains / (Losses) on Disposal of Capital Assets	(201,723)	(808,936)

43. CHANGE IN ACCOUNTING POLICY

There were no changes in Accounting Policies for the current financial year.

44. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2019. The columns below represent the original 2019 audited figures (on the right), whilst the column on the left represent the restated 2019 figures, after taken into account prior period errors. Details of the adjustments are as follows:

Statement of Financial Position:

Inventories	58,246,293	58,188,543
Receivables from Exchange Transactions	27,678,565	27,678,565
Receivables from Non-exchange Transactions	18,248,300	18,531,386
Cash and Cash Equivalents	35,430,721	35,430,721
VAT Receivable	4,742,283	4,650,787
Current Portion of Operating Lease Receivables	4,542	4,542
Property, Plant and Equipment	744,437,107	744,418,790
Intangible Assets	101,890	101,890
Investment Property	5,718,600	5,718,600
Heritage Assets	6,959,273	6,959,273
Non-current Investments	29,209	29,209
Long-term Receivables	10	10
Operating Lease Receivables	7,473	7,473
Consumer Deposits	(2,414,796)	(2,414,796)
Payables from Exchange Transactions	(88,642,766)	(88,423,951)
Payables from Non-exchange Transactions	(3,189,968)	(3,189,968)
Unspent Conditional Grants and Receipts	(29,309,656)	(29,782,064)
Bank Overdraft	(18,397,223)	(18,298,647)
Current Portion of Long-term Liabilities	(240,845)	(240,845)
Current Portion of Retirement Benefit Liabilities	(1,834,729)	(1,834,729)
Long-term Liabilities	(1,290,339)	(1,290,339)
Employee Benefit Liabilities	(23,772,426)	(23,772,426)
Non-current Provisions	(55,674,169)	(55,674,168)
Accumulated Surplus - Opening Balance	(764,493,694)	(764,493,694)
Accumulated Surplus - Prior Period Error	(2,088,364)	

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Accumulated Surplus - Surplus (Loss) for the Year	89,744,708	87,695,838
	<u>(0)</u>	<u>(0)</u>

Statement of Financial Performance:

Finance cost		21,450
Service Charges		(937,611)
Repairs and maintenance		(18,474)
Other income		(57,723)
Commission expenditure		565,275
Depreciation		139
Other income		75,267
General expenses		172,187
Fines income		2,143,745
Licenses and permits		(463)
Operating Lease Expenditure		85,075
		<u>2,048,867</u>

The details of the reclassifications of correction of errors made are as follows:

44.1 Accounting for movable asset additions wrongfully accounted for as repairs and maintenance

Whilst compiling the 2020 Fixed Asset Register (and sub-sequently the Annual Financial Statements) it came to light that retrospective corrections were needed to me made. This due to assets acquired previously being wrongfully accounted for as repairs and maintenance.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(18,474)	
Increase / (decrease) in PPE	18,474	18,474
Statement of Financial Performance:		
Increase / (Decrease) in repairs and maintenance		(18,474)
	<u>-</u>	<u>-</u>

44.2 Accounting for long still standing retentions

Management of the municipality took the decision to clear the retentions which has not shown any movement in the last couple of years.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(1,006,245)	(1,006,245)
(Increase) / decrease in Creditors from exchange transactions	1,006,245	1,006,245
	<u>-</u>	<u>-</u>

44.3 Accounting for long still standing unknown deposits - ABSA

Management of the municipality took the decision to clear the unknown deposits for the period of 30 June 2018 and prior, as there has been no movement nor claims made by payers with regards to these amounts.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(4,659,754)	(4,659,754)
(Increase) / decrease in Creditors from exchange transactions	4,659,754	4,659,754
	<u>-</u>	<u>-</u>

44.4 Accounting for 2019's provision on pre-paid electricity sales creditor

In the 2019 year the municipality struggled to obtain sales reports from one of their pre-paid electricity sales vendors. This resulted in the municipality not being able to account for the 2019 pre-paid electricity sales provision

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	196,862	
(Increase) / decrease in Creditors from exchange transactions	(196,862)	(196,862)
Statement of Financial Performance:		
(Increase) / Decrease in Service Charges		196,862
	-	-

44.5 Accounting for finance cost on overdue creditors wrongfully not accounted for in the 2019 year

During the 2019 financial year the municipality incurred finance cost on a payment agreement with a creditor. This finance cost was however wrongfully capitalised to the down payments of this creditor.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	21,450	
(Increase) / decrease in Creditors from exchange transactions	(21,450)	(21,450)
Statement of Financial Performance:		
Increase / (Decrease) in finance cost		21,450
	-	-

44.6 Recognition of a municipal erf not previously carried in the property-held-for-sale

During the 2020 year the municipality obtained the title deeds transfer information. One of the properties which transferred out of the ownership of the municipality was not recognised previously in the accounting records of the municipality. This erf needed to be recognised in order to transfer it out again.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(57,750)	(57,750)
Increase / (decrease) in Inventories	57,750	57,750
	-	-

44.7 Military housing creditor

In the past the municipality received grants on behalf of military veteran housing schemes. The funds received were treated as a creditor until the expenditure were realised. Although all the funds were not fully utilised, there were no responsibility placed on the municipality to pay these funds back. There has been no movement in this regard in the last year and the expectancy is that this will remain the case.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(100,581)	(42,859)
(Increase) / decrease in Creditors from exchange transactions	100,581	100,581
Statement of Financial Performance:		
(Increase) / Decrease in other income		(57,723)
	-	-

44.8 Accounting for long still standing unknown deposits - Standard Bank

Management of the municipality took the decision to clear the unknown deposits for the period of 30 June 2018 and prior, as there has been no movement nor claims made by payers with regards to these amounts.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(4,908)	(4,908)
(Increase) / decrease in Employment Benefit Liability	4,908	4,908

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020 R	2019 R
-	-

44.9 Accounting for long still standing unspent grants

Management of the municipality took the decision to clear the unspent grants for the period of 30 June 2018 and prior, as there has been no responsibility placed on the municipality to repay these funds

The effect of the adjustment is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	(472,409)	(472,409)
(Increase) / decrease in Employment Benefit Liability	472,409	472,409
	-	-

44.10 Accounting for 2019 commission on pre-paid electricity sales not previously accounted for

In the 2019 year the municipality struggled to obtain sales reports from one of their pre-paid electricity sales vendors. This resulted in the municipality not being able to account for the 2019 commission portion on pre-paid sales.

The effect of the adjustment is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	(565,275)	-
(Increase) / decrease in Accumulated Surplus	565,275	-
(Increase) / decrease in VAT Payable/Receivable	84,791	84,791
(Increase) / decrease in VAT Payable/Receivable	(84,791)	(84,791)

Statement of Financial Performance:

(Increase) / Decrease in Service charges		(565,275)
Increase / (Decrease) in Commission expenses		565,275
	-	-

44.11 Re-classification of assets between categories

Whilst compiling the fixed asset register, the need was identified to transfer some assets between categories. Some rounding and immaterial differences arose as a result of these re-classifications

The effect of the adjustment is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	156	17
Increase / (decrease) in Property, Plant and Equipment	(156)	(156)

Statement of Financial Performance

Increase / (Decrease) in Depreciation		139
	-	-

44.12 Accounting for correction in prior year assessment rates debtor differences

During the 2019 year, differences were identified between the Receivables age analysis and the trial balance, these differences were left unaddressed. It was decided in the 2020 year to clear these differences

The effect of the adjustment is as follows:

Statement of Financial Position:

Increase / (decrease) in receivables from exchange transactions	(75,267)	(75,267)
(Increase) / decrease in Accumulated Surplus	75,267	

Statement of Financial Performance:

(Increase) / Decrease in other income		75,267
	-	-

44.13 Accounting for double accounting of VAT on creditors payment

During the 2019 year, VAT was accounted for twice on a creditors payment, the rectification is to reverse one of the transactions.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in payables from exchange transactions	(148,195)	(148,195)
(Increase) / decrease in VAT Payable/Receivable	148,195	148,195
	<u>-</u>	<u>-</u>

44.14 Accounting for 2019 expenditure only accounted for in the 2020 year

During the 2020 year it was identified that expenditure relating to the 2019 year was only accounted for in the 2020 year.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in payables from exchange transactions	(327,709)	(327,709)
(Increase) / decrease in VAT Payable/Receivable	48,630	48,630
(Increase) / decrease in Accumulated Surplus	279,079	
Statement of Financial Performance		
Increase / (Decrease) in General expenses		279,079
	<u>-</u>	<u>-</u>

44.15 Accounting for 2019 bank charges only accounted for in the 2020 year

During the 2020 year it was identified that expenditure relating to the 2019 year was only accounted for in the 2020 year.

The effect of the adjustment is as follows:

Statement of Financial Position:		
Increase / (decrease) in cash and cash equivalents	(739)	(739)
(Increase) / decrease in Accumulated Surplus	739	
Statement of Financial Performance		
Increase / (Decrease) in General expenses		739
	<u>-</u>	<u>-</u>
	<u>739</u>	<u>739</u>

44.16 Re-allocation of TVS unknown deposits previously allocated against fines income

During the 2020 year it was identified that the fines income received through the TVS bank account was wrongfully allocated against income. This income should be set off against the receipts as disclosed in the fines supporting documentation.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	2,143,745	
(Increase) / decrease in Creditors from exchange transactions	(2,143,745)	(2,143,745)
Statement of Financial Performance		
(Increase) / Decrease in Fines income		2,143,745
	<u>-</u>	<u>-</u>

44.17 Clearing of long still standing sundry debtors

During the 2020 year the municipality decided to clear long still standing items. Amongst these were sundry debtors.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	1,286,897	1,286,897
Increase / (decrease) in Receivables from exchange transactions	(1,286,897)	(1,286,897)
	<u>-</u>	<u>-</u>

44.18 Adjustment in the Motor Registration creditor

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
In the 2020 year the municipality decided to no longer account for the DTSL outstanding balance as partly contingent. The entire balance is now shown as a creditor. The municipality will however continue to have discussions with DTSL about the balance.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	3,152,806	3,152,806
Increase / (decrease) in Creditors from exchange transactions	(3,152,342)	(3,152,342)
Statement of Financial Performance		
(Increase) / Decrease in Licenses and permits	(463)	(463)
	<u>(0)</u>	<u>(0)</u>

44.19 Accounting for prior period operating lease expenditure

In the 2020 year it was identified that payments relating to operating lease expenditure for the 2019 year was not cleared from the unreconciled bank items

The effect of the adjustment is as follows:

Statement of Financial Position:		
Increase / (decrease) in cash and cash equivalents	(97,837)	(97,837)
(Increase) / decrease in Accumulated Surplus	85,075	-
(Increase) / decrease in VAT Payable/Receivable	12,761	12,761
Statement of Financial Performance		
Increase / (Decrease) in Operating Lease Expenses	-	85,075
	<u>-</u>	<u>-</u>

44.20 Accounting for prior period revenue and debtors not previously accounted for

During the 2020 year it was realised that the municipality did not account for prior period revenue and debtors relating to rental of commonage

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(843,505)	(274,307)
Increase / (decrease) in Receivables from exchange transactions	961,596	961,596
(Increase) / decrease in VAT Payable/Receivable	(118,091)	(118,091)
Statement of Financial Performance		
(Increase) / Decrease in Service Charges		(569,198)
	<u>-</u>	<u>-</u>

44.21 Accounting for Sundry Debtors not previously accounted for

During the 2020 financial year the municipality received 2 refunds from a service provider relating to overpayments the municipality made on their account.

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(117,483)	(9,852)
Increase / (decrease) in Receivables from non-exchange transactions	117,483	117,483
Statement of Financial Performance		
Increase / (Decrease) in General Expenses		(107,631)
	<u>-</u>	<u>-</u>

45. CHANGE IN ESTIMATE

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2020. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well, this effect is however not quantified as estimating it is impracticable. The adjustments are as follows:

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(31,536)	(14,433,568)
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets	(8,562)	(13,156,562)
Increase / (Decrease) in Depreciation of PPE	<u>(40,097)</u>	<u>(27,590,130)</u>
Depreciation and Amortisation as previously stated	50,211,567	80,347,482
Adjustment due to Change in Accounting Estimate	(40,097)	(27,590,130)
Depreciation and Amortisation as per Note 35	<u>50,171,470</u>	<u>52,757,352</u>
46. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(36,367,832)	(89,744,706)
Adjustment for:		
Correction of prior period error		2,088,380
Depreciation and Amortisation	50,171,470	52,757,352
Impairment Losses on Property, Plant and Equipment	8,787,730	1,497,751
Losses / (Gains) on Disposal of Property, Plant and Equipment	201,723	808,936
Fair Value adjustment of Investment Property	-	-
Fair Value adjustment of Non-current Investment	1,519	(1,155)
Loss on Sale of Land	4,750	1,589
Contribution to Retirement Benefit Liabilities	(2,274,154)	(669,846)
Contribution to Non-current Provisions	(4,018,009)	8,737,442
Contribution to Long Service Awards Liability	-	-
Contribution to Impairment Provision	-	-
Operating surplus before working capital changes	<u>16,507,197</u>	<u>(24,524,257)</u>
Decrease / (Increase) in Inventories	(294,815)	(156,586)
Decrease / (Increase) in Receivables from Exchange Transactions	(12,543,242)	29,332,334
Decrease / (Increase) in Receivables from Non-exchange Transactions	(2,996,377)	(4,160,783)
Increase / (Decrease) in Consumer Deposits	103,703	69,224
Increase / (Decrease) in Payables from Exchange Transactions	46,004,558	21,896,784
Increase / (Decrease) in Payables from Non-exchange Transactions	(131,026)	(334,298)
Decrease / (Increase) in Long-term Receivables	10	1,591
Increase / (Decrease) in Conditional Grants and Receipts	(21,520,526)	25,831,714
Increase / (Decrease) in VAT Payable	(7,223,480)	(7,378,851)
Cash generated by / (utilised in) Operations	<u>17,918,016</u>	<u>40,576,873</u>
47. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
During the 2020 financial year, the Municipality acquired R0 (2019: R594 355) of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.		
48. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	4,869,921	342,817
- Amount unused / (Overspent)	6,869,921	2,342,817
	<u>2,000,000</u>	<u>2,000,000</u>
Unsecured Credit Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	800,000	800,000
	<u>800,000</u>	<u>800,000</u>
49. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 19)	240,852	1,531,183
Used to finance Property, Plant and Equipment - at cost	(240,852)	(1,684,168)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities	-	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Cash invested for Repayment of Long-term Liabilities	<u>-</u>	<u>-</u>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

50. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

50.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	53,535,579	118,571,240
Unauthorised Expenditure current year	59,933,795	53,535,579
Prior year Unauthorised Expenditure prior identified in current year	887,989	
Written off by Council	(53,535,579)	(118,571,240)
Unauthorised Expenditure awaiting authorisation	<u>60,821,784</u>	<u>53,535,579</u>

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	Council to write off expenditure.
Unknown - R0 (R0)	
Executive and Council - R0 (R5 723 434)	
Finance and Administration - R16 551 697 (R9 943 109)	
Planning and Development - R4 776 306 (R2 349 037)	
Community and Social Services - R4 050 476 (R4 644 664)	
Roads and Transport - R0 (R0)	
Other - R17 137 (R652 386)	
Housing - R709 677 (R881 733)	
Waste Management - R13 771 569 (R13 214 157)	
Electricity - R20 056 933 (R17 015 047)	
Water - R0 (R0)	

50.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	4,956,980	4,716,279
Fruitless and Wasteful Expenditure current year	7,855,687	4,956,980
Prior year Fruitless and Wasteful expenditure identified in current year	21,450	-
Written off by Council	(4,956,980)	(4,716,279)
Fruitless and Wasteful Expenditure awaiting to be written off	<u>7,877,137</u>	<u>4,956,980</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest paid to Creditors on overdue accounts - R 7 877 137 (2019: R 4 978 430)	

50.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	27,140,394	36,760,487
Irregular Expenditure current year	8,352,685	22,316,296
Irregular Expenditure of prior years identified in current year	-	4,824,098
Written off by Council	(13,962,281)	(36,760,487)
Irregular Expenditure awaiting to be written off	<u>21,530,799</u>	<u>27,140,394</u>

Incident	Disciplinary Steps / Criminal Proceedings
The Irregular Expenditure identified was inspected and it can be categorised as follows:	Council to write off expenditure.
Valid or no contracts were not in place for service providers. This amounted to irregular expenditure of R8 352 685	

50.4 Other possible UIFW expenditure items under investigation at yearend

As at the end of the 2020 financial year the following items were under investigation by the relevant authorities. If upon conclusion of these investigations it is proven that these items are in fact UIFW in nature, it will be disclosed accordingly:

50.4.1 Bulk SMS payments

It was identified that one of the former municipal employees purchased bulk SMS packages from a service provider out of his own pocket. These bulk SMS would be used by the municipality and the employer would be reimbursed for this expenditure. Upon reimbursement however, the banking details provided for the municipal employee did not agree with the name provided for the account holder as the municipality used the name of the service provider from which the SMS was purchased together with the account number of the municipal employee. This caused the bank to flag this transaction. The investigation is ongoing.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

50.4.2 Payments made to Department of Labour

During the 2018 financial year it was identified that the municipality never accounted for workman's compensation expenditure and thus also not for the Department of Labour creditor. This was however correctly adjusted in the accounting records of the municipality. The issue however came when the municipality started to settle this outstanding creditor, as it was identified that some payments made were not made into the bank account of the department of labour. As at the end of the financial year these transactions were still under investigation.

50.4.3 Fuel card transactions

It is suspected that some municipal employees who were in position of municipal fuel cards, misused these cards for personal gain. It is suspected that the municipal employee would fill up a third party's vehicle with the fuel card of the municipality. The third party would then pay the municipal employee in cash for the fuel purchased. At yearend these transactions were under investigation by the Hawks.

51. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

51.1 Contributions to organised local government - SALGA

Opening Balance	524,066	524,066
Council Subscriptions	864,979	804,229
Amount Paid - current year	(864,979)	(804,229)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	524,066	524,066

During the 2018 audit, the amount owed to SALGA was reconciled back to the creditor statement, the disclosure was however not adjusted accordingly. The amount disclosed as the comparative in the current year's AFS agrees to the creditor statement.

51.2 Audit Fees

Opening Balance	2,777,833	3,325,973
Current year Audit Fee	2,968,435	3,372,478
Amount Paid - current year invoices	(1,168,555)	(3,920,618)
Amount Paid - previous years invoices	(283,487)	-
Balance Unpaid (included in Creditors)	4,294,226	2,777,833

During the 2018 audit, the amount owed to the AGSA was reconciled back to the creditor statement, the disclosure was however not adjusted accordingly. The amount disclosed as the comparative in the current year's AFS agrees to the creditor statement.

51.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 19. All VAT returns have been submitted by the due date throughout the year.

51.4 PAYE, Skills Development Levy and UIF

Opening Balance	(17,468)	-
Current year Payroll Deductions	12,473,376	11,175,308
Amount Paid - current year	(12,473,376)	(11,192,776)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	(17,468)	(17,468)

51.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	18,488,482	17,013,748
Amount Paid - current year	(18,488,482)	(17,013,748)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

51.6 Councilor's arrear Consumer Accounts

The following Councilors had arrear accounts outstanding for more than 90 days as at:

30 June 2020	Total	Outstanding up to 90 days	Outstanding more than 90 days
Kivedo MC	5,044	3,904	1,139
Van Wyk PD	6,309	3,543	2,766
Billie L	10,592	9,014	1,578

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
Vanel D	7,223	1,759	5,464
Faul RR	7,649	2,426	5,222
Total Councilor Arrear Consumer Accounts	36,817	20,648	16,169

30 June 2019	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councilor Kivedo MC	4,603	4,166	437
Councilor Van Wyk PD	15,069	1,737	13,332
Councilor Hoffman SJ	2,554	2,554	-
Councilor Billie L	2,622	1,747	875
Councilor Mhlauli PP	6,240	2,034	4,206
Councilor Vanel D	9,006	2,462	6,545
Councilor Mkontwana NP	1,683	1,683	-
Councilor Faul RR	8,134	1,942	6,193
Total Councilor Arrear Consumer Accounts	49,912	18,324	31,588

During the year the following Councilors had arrear accounts outstanding for more than 90 days:

30 June 2020	Highest amount outstanding	Ageing
Councilor Kivedo MC	3,903	> 90 days
Councilor Van Wyk PD	11,832	> 90 days
Councilor Billie L	3,014	> 90 days
Councilor Mhlauli PP	3,206	> 90 days
Councilor Vanel D	6,699	> 90 days
Councilor Mkontwana NP	4,423	> 90 days
Councilor Faul RR	6,128	> 90 days

30 June 2019	Highest amount outstanding	Ageing
Councilor Kivedo MC	437	> 90 days
Councilor Van Wyk PD	24,252	> 90 days
Councilor Hoffman SJ	2,801	> 90 days
Councilor Billie L	875	> 90 days
Councilor Mhlauli PP	9,670	> 90 days
Councilor Vanel D	9,306	> 90 days
Councillor Louw CJ	1,751	> 90 days
Councilor Mkontwana NP	91	> 90 days
Councilor Faul RR	13,737	> 90 days

51.7 Non-Compliance with the Municipal Finance Management Act

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
General Responsibilities	7	52	(d)
Revenue Management	8	64	(3)
Monthly Budget Statements	8	71	(i) to (v)
Mid-year Budget and Performance Assessment	8	72	(1) to (3)
Information to be placed on Websites of Municipalities	8	75	(1) to (2)
The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.		122	(1)
Money owed by the municipality was not always paid within 30 days.		65	(2)
Reasonable steps were not taken to prevent irregular, fruitless and wasteful and unauthorised expenditure		62	(1)
The municipality did not establish an investment policy that was adopted by council		13	2
Supply Chain Management Policy to comply with Prescribed Framework	11	112	

51.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Reasons	Month	Successful Bidder	One Quotation	Two Quotations	Total
---------	-------	-------------------	---------------	----------------	-------

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

			2020 R	2019 R
The largest contribution towards the deviations for the month was the lack of quotes received from suppliers due to the unique nature of the services required.	August 2019	Various Suppliers	125,614	-
There was different reasons contributing towards the deviations for the month. This included suppliers providing quotes who did not meet all the requirements as well as services that needed to be rendered prior to a sufficient quote could be provided by the suppliers.	September 2019	Various Suppliers	81,095	35,401
During October the municipality suffered damages as a result of a storm. Due to the emergency, there was no time to follow standard SCM procedures other items included suppliers providing quotes who did not meet all the requirements.	October 2019	Various Suppliers	153,777	21,643
The municipality had to have repairs done to their folding machine. However, due to the uniqueness of this machine, only the manufacturer of the machine was able to assist the municipality. There was also other unique services required by the municipality that further contributed to deviations for the month.	November 2019	Various Suppliers	49,224	-
There was different reasons contributing towards the deviations for the month. This included suppliers providing quotes who did not meet all the requirements as well as services that needed to be rendered prior to a sufficient quote could be provided by the suppliers.	January 2020	Various Suppliers	246,161	45,200
The main contribution towards deviations for the month was to do with emergency repairs needed due to theft of copper and other cables resulting in power outages.	February 2020	Various Suppliers	139,370	-
Due to the specific nature of the services needed, the municipality were unable to obtain the required amount of quotes.	March 2020	Various Suppliers	40,463	-
The municipality had to incur expenditure in the fight to stop the spread of the corona virus. Among the expenditure was PPE for emergency workers etc.	April 2020	Various Suppliers	428,962	225,383
The largest contribution towards the deviations for the month was due to a transformer at the water pumps in Hanover being hit by lightning which rendered it out of use. The rest of the municipality's water providing facilities were not able to provide sufficient water to the community.	June 2020	Various Suppliers	294,811	18,939

51.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2020	Unaccounted Electricity Losses	<u>8,240,374</u>	<u>1.1993</u>	<u>9,882,591</u>
30 June 2019	Unaccounted Electricity Losses	<u>4,145,068</u>	<u>1.0431</u>	<u>4,323,626</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Volumes in kWh/year:

System Input Volume	56,375,147	57,615,977
Billed Consumption	43,624,762	48,861,630
Unaccounted	<u>12,750,385</u>	<u>8,754,347</u>
Normal distribution losses - % of electricity purchases	(4,510,012)	(4,609,278)
Distribution Loss	<u>8,240,374</u>	<u>4,145,068</u>

Percentage Distribution Loss	14.62%	7.19%
------------------------------	--------	-------

Water:

		Lost Units	Tariff	Value
30 June 2020	Unaccounted Water Losses	<u>685,719</u>	<u>1.2812</u>	<u>878,574</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
30 June 2019	Unaccounted Water Losses	746,557	1,1685
		<u>746,557</u>	<u>1,1685</u>
		<u>746,557</u>	<u>1,1685</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

52. COMMITMENTS FOR EXPENDITURE

52.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

<i>Infrastructure</i>	13,057,374	5,144,967
	<u>13,057,374</u>	<u>5,144,967</u>
Total Capital Commitments	13,057,374	5,144,967
	<u>13,057,374</u>	<u>5,144,967</u>
This expenditure will be financed from:		
Government Grants	13,057,374	5,144,967
Own Resources	-	-
	<u>13,057,374</u>	<u>5,144,967</u>

53. FINANCIAL INSTRUMENTS

53.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Listed Investments	Fair value	27,690	29,209
Long-term Receivables			
Other Loans	Amortised cost	-	10
Receivables from Exchange Transactions			
Electricity	Amortised cost	13,193,219	11,226,806
Refuse	Amortised cost	2,957,694	1,299,632
Town Commonage	Amortised cost	214	155,877
Rental of municipal buildings	Amortised cost	84,255	75,087
Sewerage	Amortised cost	7,183,769	4,369,813
Water	Amortised cost	16,658,708	10,476,457
Other Receivables	Amortised cost	143,949	74,893
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	9,389,967	5,840,692
Payments made in Advance	Amortised cost	292,715	341,047
Sundry Deposits	Amortised cost	984,042	984,651
Sundry Debtors	Amortised cost	10,577,953	11,081,910
Cash and Cash Equivalents			
Call Deposits	Amortised cost	9,650,669	24,698,224
Notice Deposits	Amortised cost	9,757,003	9,108,617
Bank Balances	Amortised cost	2,353,454	1,621,191
Cash Floats and Advances	Fair value	2,980	2,690

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Long-term Receivables	Other Loans	-	10
Receivables from Exchange Transactions	Electricity	13,193,219	11,226,806
Receivables from Exchange Transactions	Refuse	2,957,694	1,299,632
Receivables from Exchange Transactions	Sewerage	7,183,769	4,369,813
Receivables from Exchange Transactions	Town Commonage	214	155,877
Receivables from Exchange Transactions	Rental of municipal buildings	84,255	75,087
Receivables from Exchange Transactions	Water	16,658,708	10,476,457

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
Receivables from Exchange Transactions	Other Debtors	143,949	74,893
Receivables from Non-exchange Transactions	Assessment Rates Debtors	9,389,967	5,840,692
Receivables from Non-exchange Transactions	Payments made in Advance	292,715	341,047
Receivables from Non-exchange Transactions	Sundry Deposits	984,042	984,651
Receivables from Non-exchange Transactions	Sundry Debtors	10,577,953	11,081,910
Cash and Cash Equivalents	Call Deposits	9,650,669	24,698,224
Cash and Cash Equivalents	Notice Deposits	9,757,003	9,108,617
Cash and Cash Equivalents	Bank Balances	2,353,454	1,621,191
		<u>83,227,609</u>	<u>81,354,906</u>
Financial Assets at Fair Value:			
Non-current Investments	Listed Investments	27,690	29,209
Cash and Cash Equivalents	Cash Floats and Advances	2,980	2,690
		<u>30,670</u>	<u>31,899</u>
Total Financial Assets		<u>83,258,279</u>	<u>81,386,805</u>

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Finance Leases	Amortised cost	0	1,290,339
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	11,168,904	9,373,357
Payments Received in Advance	Amortised cost	7,550,821	6,409,649
Retentions	Amortised cost	3,933,334	1,411,303
Staff Bonuses	Amortised cost	2,727,852	2,640,224
Sundry Deposits	Amortised cost	363,804	355,570
Other Creditors	Amortised cost	15,949,604	13,237,720
Salary Control Account	Amortised cost	(4,882)	(4,473)
Accrued Leave	Amortised cost	8,246,747	7,475,297
Payables from Non-exchange Transactions			
Payments Received in Advance	Amortised cost	3,058,942	3,189,968
Bank Overdraft			
Bank Overdraft	Amortised cost	(21,972,581)	(18,397,223)
Current Portion of Long-term Liabilities			
Finance Leases	Amortised cost	(240,852)	(240,845)

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Finance Leases	0	1,290,339
Payables from Exchange Transactions	Trade Creditors	11,168,904	9,373,357
Payables from Exchange Transactions	Payments Received in Advance	7,550,821	6,409,649
Payables from Exchange Transactions	Retentions	3,933,334	1,411,303
Payables from Exchange Transactions	Staff Bonuses	2,727,852	2,640,224
Payables from Exchange Transactions	Sundry Deposits	363,804	355,570
Payables from Exchange Transactions	Other Creditors	15,949,604	13,237,720
Payables from Exchange Transactions	Salary Control Account	(4,882)	(4,473)
Payables from Exchange Transactions	Accrued Leave	8,246,747	7,475,297
Payables from Non-exchange Transactions	Payments Received in Advance	3,058,942	3,189,968
Bank Overdraft	Bank Overdraft	(21,972,581)	(18,397,223)
Current Portion of Long-term Liabilities	Finance Leases	(240,852)	(240,845)
		<u>30,781,695</u>	<u>26,740,886</u>
Total Financial Liabilities		<u>30,781,695</u>	<u>26,740,886</u>

53.2 Fair Value

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the Municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties as well as the current payment ratios of the Municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2020, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the Municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2020	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	27,690	-	-	27,690
Cash and Cash Equivalents	-	2,980	-	2,980

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

			2020 R	2019 R
Total Financial Assets	27,690	2,980	-	30,670
Total Financial Instruments	27,690	2,980	-	30,670
30 June 2019	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	29,209	-	-	29,209
Cash and Cash Equivalents	-	2,690	-	2,690
Total Financial Assets	29,209	2,690	-	31,899
Total Financial Instruments	29,209	2,690	-	31,899

53.3 Capital Risk Management

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2010.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 19, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the Municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95.00%, reducing 90.00%. This aggressive ratio is as a result of the development challenges faced by the Municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	240,852	1,531,183
Cash and Cash Equivalents	(208,475)	17,033,497
Net Debt	32,376	18,564,681
Equity	640,469,520	676,837,352
Net debt to equity ratio	0.01%	2.74%

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

53.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

53.5 Significant Risks

EMTHANJENI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 56.8 to the Annual Financial Statements.

53.6 Market Risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 53.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

53.6.1 Foreign Currency Risk Management

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

53.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

EMTHANJENI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020	2019
R	R

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 53.8 below:

53.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the Municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The Municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the Municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	27,690	29,209
Long-term Receivables	-	10
Receivables from Exchange Transactions	40,221,807	27,678,565
Receivables from Non-exchange Transactions	21,244,677	18,248,300
Bank, Cash and Cash Equivalents	(208,475)	17,033,497
Maximum Credit and Interest Risk Exposure	<u>61,285,698</u>	<u>62,989,582</u>
The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:		
	%	%
Consumer Debtors:		
- Household	74.61%	68.78%
- Industrial / Commercial	5.68%	11.69%
- National and Provincial Government	19.72%	19.53%
- Other Classes	0.00%	0.00%
Total Credit Risk	<u>100.00%</u>	<u>100.00%</u>
Bank and Cash Balances		
ABSA Bank Ltd	(10,146,127)	(7,920,514)
First National Bank	-	2,256
Nedbank	157,897	151,042
Standard Bank	313,213	280,861
Cash Equivalents	2,980	2,690
Total Bank and Cash Balances	<u>(9,672,037)</u>	<u>(7,483,665)</u>
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Long-term Receivables		
Group 1	-	10
Total Long-term Receivables	<u>-</u>	<u>10</u>
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	7,930,909	5,405,635
Group 2	32,290,899	22,272,930
Group 3	100,369,407	80,199,670
	<u>140,591,215</u>	<u>107,878,236</u>
Total Receivables from Exchange Transactions	<u>140,591,215</u>	<u>107,878,246</u>
Receivables from Non-exchange Transactions		
Group 1	4,760,762	3,430,688
Group 2	4,629,205	2,410,005
Group 3	53,507,100	37,551,763
Total Receivables from Non-exchange Transactions	<u>62,897,067</u>	<u>43,392,455</u>

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

53. FINANCIAL INSTRUMENTS (Continued)

53.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 55 is a listing of additional undrawn facilities that the Municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2020								
Non-interest Bearing			137,706,265	137,706,265				
- Payables from Exchange transactions	15	0.00%	134,647,323	134,647,323				
- Payables from Non-exchange transactions	16	0.00%	3,058,942	3,058,942				
Variable Interest Rate Instruments			22,220,363	22,142,371	77,992	-	-	-
- Bank Overdraft	5	9.50%	21,972,581	21,972,581	-	-	-	-
- Digi Copiers	18	Various	233,977	155,985	77,992	-	-	-
- Absa Vehicle Management Solutions	18	Various	-	-	-	-	-	-
- Tshimologong Technologies	18	124.44%	13,806	13,806			-	-
			159,926,628	159,848,636	77,992	-	-	-
30 June 2019								
Non-interest Bearing			91,832,733					
- Payables from Exchange transactions	15	0.00%	88,642,766	88,642,766				
- Payables from Non-exchange transactions	16	0.00%	3,189,968	3,189,968				
Variable Interest Rate Instruments			20,012,195	19,580,816	183,597	247,783	-	-
- Bank Overdraft	5	9.50%	18,397,223	18,397,223	-	-	-	-
- Digi Copiers	18	Various	545,946	155,985	155,985	233,977	-	-
- Absa Vehicle Management Solutions	18	Various	999,996	999,996	-	-	-	-
- Tshimologong Technologies	18	124.44%	69,030	27,612	27,612	13,806	-	-
			111,844,928	19,580,816	183,597	247,783	-	-

The Municipality has access to financing facilities, the total unused amount which is R6 869 921 (2019: R2 342 817), at the reporting date. The Municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

53.9 Other Price Risks

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R

54. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councilors and employees, who belong to different pension schemes.

All councilors belong to the Pension Fund for Municipal Councilors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R8 937 562 (2019: R8 158 283) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the investment reserve of the fund amounted to R1,967 (30 June 2012: R0) million, with a funding level of 99.7% (30 June 2012: 99.4%). The contribution rate paid by the members (9.00%) and the municipalities (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The last statutory valuation was performed as at 30 June 2015 and the next valuation will be done 30 June 2019 with information to be available by 30 June 2020

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R18,322 (30 June 2014: R17,212 million, with funding levels of 112.1% and 100.0% (30 June 2014: 112.6% and 99.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing

Municipal Councilors Pension Fund:

The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund amounted to R2 551 861 million (30 June 2012: R1 371 339 million). The contribution rate paid by the members (13.75%) and the municipalities (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

54. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R10 439.2 (30 June 2012: R8 753.4) million, with funding levels of 100.0% (30 June 2012: 100.0%). The contribution rate paid by the members (8.6%) and Council (20.78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2 445.9 (30 June 2005: R1 511.5) million, with funding levels of 100.0% (30 June 2009: 100.0%). The contribution rate paid by the members (7.50%) and Council (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

55. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

55.1 Interest of Related Parties

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
S Sthonga	Mayor	Director - Stonga Farming
MO Maramba	Councillor	Director - M And M Labour Solutions
PP Mhlauli	Councillor	Director - Ncedisa Bakery Primary Co-Operative Limited
PN Bushula	Councillor	Director - Qala Kancini Consultants
PN Bushula	Councillor	Director - Active Women Enterprise
PN Bushula	Councillor	Director - Likuye Itemba
I Visser	Municipal Manager	Director - Siyathemba Social Projects Development
MF Manuel	Chief Financial Officer	Director - Chartered institute of government finance audit and risk officers
MF Manuel	Chief Financial Officer	Director - Qala Kancini Consultants

55.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Sundry Charges R	Service Charges R	Total Charges R
For the Year ended 30 June 2020				
Councillors	33,286	54,046	101,893	189,226
Municipal Manager and Section 57 Personnel	40,672	26,439	79,148	146,259
Total Services	73,958	80,485	181,041	335,485
For the Year ended 30 June 2019				
Councillors	36,893	11,511	105,157	153,562
Municipal Manager and Section 57 Personnel	46,246	9,364	103,716	159,326
Total Services	83,139	20,875	208,873	312,887

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

55.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

55.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in disclosure notes 32 and 33, Employee Related cost and Remuneration of Councillors respectively.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
55. RELATED PARTY TRANSACTIONS (continued)		
55.5 Purchases from Related Parties		
During the 2020 financial year, the municipality made no purchase from related parties or their entities		
56. CONTINGENT LIABILITIES		
Department of Safety and Liaison: Motor Registration Fees	-	-
The Municipality received correspondence in 2020 from the Department of Safety and Liaison (DSL) informing that the Municipality owes the DSL outstanding amounts for Motor Registration Fees.		
The Municipality is planning to dispute this claim further as it has made regular and continuous payments to the DSL. Motor registration fees were deposited directly into the bank account of DSL.		
The Chief Financial Officers and delegations of both the ELM and DSL met and previously agreed that a proper investigation should be conducted into these claims of outstanding fees.		
After taking the above into consideration, the municipality decided to disclose the amount as provided on the DSL confirmation as a liability rather than to continue disclosing it as a contingent liability. This due to the fact that the balance adheres to the definition of a liability rather than that of a contingency		
Telkom SA Limited	-	35,568
The Municipality has been summonsed for an amount of R35 568, plus interest at 15.5% per annum. This matter has been resolved		
Fujitsu	-	244,672
The Municipality is being sued by the abovementioned plaintiff for license fees. At yearend the matter was resolved.		
57. CONTINGENT ASSETS		
The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
58. IN-KIND DONATIONS AND ASSISTANCE		
The Municipality did not receive any In-kind Donations and Assistance during the year under review.		
59. PRIVATE PUBLIC PARTNERSHIPS		
The Municipality was not a party to any Private Public Partnerships during the year under review.		
60. EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020	2019
R	R

61. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 46).

62. GOING CONCERN ASSESSMENT

The following issues were identified pertaining to events or conditions that could cast doubt on the municipality's ability to remain a going concern:

- (a) Acid Test - Although the current liabilities does not exceed the current assets, it needs to be kept in mind that a large portion of the current assets is land stock which is slow in movement, which could affect the municipality's ability to service debt.

- (b) Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.

- (c) Payment arrangement Eskom - Based on previous years expenditure, the municipality will need to utilise some +- R60,000,000 of the available budget to service the Eskom creditor, this amount excludes amounts in arrears. Since the 2018 Financial year, Eskom issued the municipality with 3 disconnection letters, due to amounts in arrears. The municipality started to default on Eskom payments during this period mainly due to the non-payment culture of it's debtors increasing. This can be substantiated with the large provision for bad debts on outstanding debtors provided for. Refer to notes 3 and 4

- (d) Impact of the Covid-19 disease - The outbreak of the covid-19 disease and the financial effects of the national lockdown further impacted negatively on the ageing of the municipality's debtors and the settlement of outstanding accounts in a whole. During the hard lockdown period many more debtors applied to be registered as indigenous as well, further hampering the municipality in their efforts and chapter 7 constitutional responsibility to provide services.

Management also considered the following mitigating matters relating to the Going Concern:

- (a) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

- (b) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

- (c) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

- (d) Although the municipality wrote off debtors in the 2019 year, it was done with the idea in mind that debtors with a reduced balance would be inspired to better settle their accounts in future. It would also put the municipality in a position to better enforce their debt collection policy which is believed will lead to be better cash flow and debt management in future.

- (d) The municipality has entered into a payment arrangement agreement with Eskom which will come into effect in the 2021 financial year. The municipality is confident that they will be able to honor this agreement by means of, among other, a elevated level of credit control. This will result in the municipality settling their overdue debt and improving their going concern outlook.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2019	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2020
	R				R	R	R	R
FINANCE LEASES								
Absa Vehicle Management Solutions	9,497,458	Various	Various	2019/09/01	973,188	-	973,188	0
Tshimologong Technologies	44,643	124.44%	Di380	2020/09/01	34,943	-	23,520	11,422
Digi Copiers	594,355	Various	Various	2021/03/01	523,050	-	293,628	229,422
Total Finance Leases	10,136,456				1,531,181	-	1,290,336	240,845
TOTAL EXTERNAL LOANS	10,136,456				1,531,181	-	1,290,336	240,845

FINANCE LEASES:

Digi Copiers (Various):

Structured secured 2 year finance leases for the purchase of IT equipment. Original finance lease amount of R594 355 and is repayable monthly in fixed instalments of capital and fixed rate interest (4.70%) of R25 997.

Absa Vehicle Management Solutions Finance Lease (Various):

Structured secured 3 year finance leases for the lease of motor vehicles. Original finance lease amount of R9 497 456 and is repayable monthly in fixed instalments of capital and fixed rate interest (ranging from 7.93% to 26)% of approximately R282 997.

Tshimologong Technologies

Structured secured 3 year finance leases for the lease of office equipment. Original finance lease amount of R44 643 and is repayable monthly in fixed instalments of capital and fixed rate interest 124.44% of approximately R5 077.54.

Note: The rates of interest payable on the above finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and buildings													
<i>Land</i>	13,826,786.00	-	-	-	-	-	13,826,786.00	-	-	-	-	-	13,826,786.00
General plant	13,826,786	-	-	-	-	-	13,826,786	-	-	-	-	-	13,826,786
Distribution plant	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Operational buildings</i>	63,855,395.09	-	-	-	-	-71,929.77	63,783,465.32	38,723,362.43	1,762,377.26	-	-31,035.57	40,454,704.12	23,328,761.20
Municipal Offices	24,855,234	-	-	-	-	-	24,855,234	15,419,679	626,181	-	-	16,045,860	8,809,374
Pay/Enquiry Points	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Plan Offices	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Yards	-	-	-	-	-	-	-	-	-	-	-	-	-
Stores	18,436,190	-	-	-	-	-	18,436,190	11,513,189	522,265	-	-	12,035,455	6,400,735
Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-
Training Centres	3,327,083	-	-	-	-	-	3,327,083	1,651,595	77,525	-	-	1,729,120	1,597,963
Manufacturing Plant	-	-	-	-	-	-	-	-	-	-	-	-	-
Depots	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	17,236,888	-	-	-	-	(71,930)	17,164,958	10,138,899	536,405	-	(31,036)	10,644,269	6,520,689
<i>Community</i>	141,357,524.16	-	-	10,555,247.89	-	-256,044.34	151,656,727.71	79,871,147.81	6,483,238.42	-	-231,379.50	86,123,006.73	65,533,720.99
Cemeteries/Crematoria	3,131,301	-	-	-	-	-	3,131,301	1,988,935	182,482	-	-	2,171,417	959,884
Centres	1,734,946	-	-	-	-	-	1,734,946	1,027,728	36,827	-	-	1,064,555	670,391
Halls	48,193,392	-	-	-	-	-	48,193,392	25,401,528	1,013,481	-	-	26,415,009	21,778,383
Fire/Ambulance Stations	2,783,311	-	-	-	-	-	2,783,311	1,642,154	55,778	-	-	1,697,931	1,085,380
Libraries	7,544,273	-	-	-	-	-	7,544,273	3,656,930	752,058	-	-	4,408,989	3,135,284
Public Ablution Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Open Space	-	-	-	-	-	-	-	-	-	-	-	-	-
Stalls	-	-	-	-	-	-	-	-	-	-	-	-	-
Outdoor Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics/Care Centres	3,858,703	-	-	-	-	-	3,858,703	2,281,442	83,697	-	-	2,365,138	1,493,565
Creches	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxi Ranks/Bus Terminals	2,473,990	-	-	-	-	-	2,473,990	697,608	699,716	-	-	1,397,325	1,076,665
Sport and Recreation Facilities - Indoor Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities - Outdoor Facilities	71,637,608	-	-	10,555,248	-	(256,044)	81,936,811	43,174,823	3,659,199	-	(231,380)	46,602,643	35,334,169
Sport and Recreation Facilities - Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	219,039,705	-	-	10,555,248	-	(327,974)	229,266,979	118,594,510	8,245,616	-	(262,415)	126,577,711	102,689,268
Infrastructure													
<i>Coastal</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Piers	-	-	-	-	-	-	-	-	-	-	-	-	-
Promenades	-	-	-	-	-	-	-	-	-	-	-	-	-
Revetments	-	-	-	-	-	-	-	-	-	-	-	-	-
Sand Pumps	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Electrical</i>	203,169,386.69	1,278,565.65	-	3,113,130.73	-	-	207,561,083.07	135,546,798.99	4,838,356.85	-	-	140,385,155.84	67,175,927.23
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
HV Substations	-	-	-	-	-	-	-	-	-	-	-	-	-
HV Switching Station	-	-	-	-	-	-	-	-	-	-	-	-	-
HV Transmission Conductors	-	-	-	-	-	-	-	-	-	-	-	-	-
LV Networks	101,124,403	1,278,566	-	3,113,131	-	-	105,516,099	70,583,865	2,501,767	-	-	73,085,632	32,430,468
MV Networks	74,893,705	-	-	-	-	-	74,893,705	50,492,003	1,746,032	-	-	52,238,035	22,655,670
MV Substations	27,151,279	-	-	-	-	-	27,151,279	14,470,932	590,558	-	-	15,061,489	12,089,790
MV Switching Station	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Power Plants	-	-	-	-	-	-	-	-	-	-	-	-	-
Network and Communication	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Core Layers	-	-	-	-	-	-	-	-	-	-	-	-	-
Data Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution Layers	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	828,491,153.24	304,750.26	-	1,578,583.16	-	-	830,374,486.67	563,787,337.78	19,048,074.94	-	-	582,835,412.72	247,539,073.94
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Furniture	5,801,310	-	-	-	-	-	5,801,310	3,805,808	162,246	-	-	3,968,054	1,833,256
Road Structures	822,689,843	304,750	-	1,578,583	-	-	824,573,176	559,981,530	18,885,829	-	-	578,867,359	245,705,818
Sanitation	104,911,939.83	-	-	12,921,580.84	-	-	117,833,520.68	74,055,659.03	3,064,439.67	-	-	77,120,098.70	40,713,421.98
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Outfall Sewers	-	-	-	-	-	-	-	-	-	-	-	-	-
Pump Station	354,969	-	-	-	-	-	354,969	212,006	13,605	-	-	225,611	129,358
Reticulation	90,056,210	-	-	12,921,581	-	-	102,977,790	66,671,293	2,246,462	-	-	68,917,755	34,060,035
Toilet Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Treatment	14,500,761	-	-	-	-	-	14,500,761	7,172,360	804,372	-	-	7,976,732	6,524,029
Solid waste	39,462,240.96	-	-	-	-	-	39,462,240.96	12,194,316.20	2,999,120.73	-	-	15,193,436.93	24,268,804.03
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Generating Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	39,462,241	-	-	-	-	-	39,462,241	12,194,316	2,999,121	-	-	15,193,437	24,268,804
Waste Drop-off Points	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Processing Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Separation Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Transfer Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	433,892,745.43	20,949,308.20	-	-	-	-	454,842,053.63	295,951,321.67	13,282,970.76	-	-	309,234,292.43	145,607,761.20
Attenuation	-	-	-	-	-	-	-	-	-	-	-	-	-
Drainage Collection	433,892,745	20,949,308	-	-	-	-	454,842,054	295,951,322	13,282,971	-	-	309,234,292	145,607,761
Storm Water Conveyance	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Water supply</i>	312,747,964.74	-	-	26,483,482.19	-	-300,977.69	338,930,469.24	251,238,193.97	5,272,594.01	-	-300,253.30	256,210,534.67	82,719,934.57
Boreholes	12,825,141	-	-	-	-	(79,866)	12,745,275	5,192,520	527,928	-	(79,866)	5,640,582	7,104,693
Bulk Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams and Weirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution	238,122,690	-	-	26,483,482	-	-	264,606,172	214,056,017	2,518,827	-	-	216,574,843	48,031,329
PRV Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Pump Stations	2,485,630	-	-	-	-	-	2,485,630	1,938,201	172,784	-	-	2,110,985	374,645
Reservoirs	59,314,504	-	-	-	-	(221,112)	59,093,392	30,051,456	2,053,056	-	(220,387)	31,884,124	27,209,268
Water Treatment Works	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,922,675,431	22,532,624	-	44,096,777	-	(300,978)	1,989,003,854	1,332,773,628	48,505,557	-	(300,253)	1,380,978,931	608,024,923
Leased assets	10,136,455.99	-	-	-	-	-	10,136,455.99	9,096,268.93	815,073.50	-	-	9,911,342.44	225,113.55
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture And Office Equipment	638,998	-	-	-	-	-	638,998	101,325	312,559	-	-	413,884	225,114
Machinery And Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport Assets	9,497,458	-	-	-	-	-	9,497,458	8,994,944	502,514	-	-	9,497,458	-
Total	10,136,456	-	-	-	-	-	10,136,456	9,096,269	815,074	-	-	9,911,342	225,114
Other assets													
<i>Computer Equipment</i>	2,882,825.05	6,884.26	-	-	-	-501,513.12	2,388,196.19	2,177,750.10	318,344.29	-	-491,238.49	2,004,855.90	383,340.29
Computer Hardware	2,882,825.05	6,884.26	-	-	-	-501,513.12	2,388,196.19	2,177,750.10	318,344.29	-	-491,238.49	2,004,855.90	383,340.29
<i>Furniture And Office Equipment</i>	8,361,857.97	59,256.40	-	-	-	-412,757.15	8,008,357.22	6,246,499.46	394,705.32	-	-399,552.44	6,241,652.34	1,766,704.88
Beds	1,399.00	-	-	-	-	-1,399.00	-	1,399.00	-	-	-1,399.00	-	-
Cabinets And Cupboards	577,623.78	-	-	-	-	-31,688.08	545,935.70	491,789.73	11,786.99	-	-31,688.08	471,888.64	74,047.06
Chairs And Couches	659,990.04	-	-	-	-	-96,840.41	563,149.63	546,651.00	18,351.01	-	-96,840.41	468,161.60	94,988.03
Headboards	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Furniture And Fittings	3,820,277.86	-	-	-	-	-26,388.00	3,793,889.86	2,528,759.18	230,300.31	-	-26,388.00	2,732,671.49	1,061,218.37
Shelving And Bookcases	204,002.78	-	-	-	-	-11,140.00	192,862.78	176,883.41	2,849.35	-	-10,116.47	169,616.30	23,246.47
Tables And Desks	683,623.97	-	-	-	-	-35,349.26	648,274.71	583,395.91	12,738.82	-	-33,005.30	563,129.42	85,145.28
Air Conditioners	576,966.65	14,365.07	-	-	-	-97,864.31	493,467.41	395,253.00	61,134.11	-	-90,573.24	365,813.87	127,653.53
Audiovisual Equipment	709,671.83	4,357.40	-	-	-	-14,453.05	699,576.18	593,373.78	17,360.09	-	-14,169.59	596,564.28	103,011.91
Domestic Equipment	283,084.03	40,533.93	-	-	-	-37,400.22	286,217.74	212,850.52	21,410.27	-	-37,400.22	196,860.57	89,357.17
Musical Instruments	130,000.00	-	-	-	-	-	130,000.00	103,438.64	5,394.99	-	-	108,833.62	21,166.38
Other Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Machines	715,218.05	-	-	-	-	-60,234.82	654,983.23	612,705.30	13,379.39	-	-57,972.14	568,112.55	86,870.68

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Machinery And Equipment</i>	6,453,366.48	6,516.89	-	-	-	-98,973.29	6,360,910.09	4,543,856.59	379,254.99	-	-98,463.39	4,824,648.19	1,536,261.89
Emergency And Medical Equipment	40,791.84	-	-	-	-	-9,775.00	31,016.84	36,237.95	370.11	-	-9,265.10	27,342.96	3,673.88
Other Plant And Equipment	53,843.00	-	-	-	-	-20,400.00	33,443.00	48,431.04	506.86	-	-20,400.00	28,537.90	4,905.10
Earth Moving Equipment	4,973,119.49	-	-	-	-	-	4,973,119.49	3,377,255.39	311,393.91	-	-	3,688,649.30	1,284,470.19
Gardening Equipment	162,966.82	-	-	-	-	-9,771.00	153,195.82	116,035.21	16,996.02	-	-9,771.00	123,260.23	29,935.60
Generators And Compressors	-	-	-	-	-	-	-	-	-	-	-	-	-
Lab Equipment	19,692.70	-	-	-	-	-2,805.00	16,887.70	16,474.64	1,034.31	-	-2,805.00	14,703.95	2,183.75
Law Enforcement Equipment	117,713.10	-	-	-	-	-6,929.82	110,783.28	85,758.31	6,334.53	-	-6,929.82	85,163.02	25,620.26
Radio Equipment	117,569.57	-	-	-	-	-15,620.60	101,948.97	47,907.35	13,728.81	-	-15,620.60	46,015.57	55,933.41
Sport And Recreational Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshop Equipment And Tools	967,669.96	6,516.89	-	-	-	-33,671.87	940,514.98	815,756.69	28,890.43	-	-33,671.87	810,975.25	129,539.73
<i>Transport Assets</i>	8,962,542.78	-	-	-	-	-539,653.23	8,422,889.55	4,059,483.44	223,951.71	-	-428,202.92	3,855,232.24	4,567,657.31
Aircraft	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Farm Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Passenger Vehicles	1,106,302.09	-	-	-	-	-	1,106,302.09	431,314.51	83,454.32	-	-	514,768.83	591,533.26
Specialised Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Trailers And Accessories	233,229.12	-	-	-	-	-7,660.18	225,568.94	122,812.26	2,400.13	-	-4,912.46	120,299.93	105,269.01
Trucks, Buses And Ldv'S	7,623,011.57	-	-	-	-	-531,993.05	7,091,018.52	3,505,356.68	138,097.26	-	-423,290.46	3,220,163.48	3,870,855.04
Total	26,660,592	72,658	-	-	-	(1,552,897)	25,180,353	17,027,590	1,316,256	-	(1,417,457)	16,926,389	8,253,964
Total	2,178,512,184	22,605,282	-	54,652,025	-	(2,181,849)	2,253,587,642	1,477,491,996	58,882,502	-	(1,980,126)	1,534,394,373	719,193,269

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R

EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage													
<i>Monuments</i>	5,634,573.00	-	-	-	-	-	5,634,573.00	-	-	-	-	-	5,634,573.00
Culturally Significant Building	5,634,573	-	-	-	-	-	5,634,573	-	-	-	-	-	5,634,573
<i>Historic buildings</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Areas of Land of Historic Specific Significance	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Works of art</i>	475,500.00	-	-	-	-	-	475,500.00	-	-	-	-	-	475,500.00
Antiques and Collections	475,500	-	-	-	-	-	475,500	-	-	-	-	-	475,500
<i>Other heritage assets</i>	849,200.00	-	-	-	-	-	849,200.00	-	-	-	-	-	849,200.00
Municipal Jewellery Cost	849,200	-	-	-	-	-	849,200	-	-	-	-	-	849,200
Archives Cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	6,959,273	-	-	-	-	-	6,959,273	-	-	-	-	-	6,959,273

EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Investment properties													
Land and buildings	5,718,600	-	-	-	-	-	5,718,600	-	-	-	-	-	5,718,600
Total	5,718,600	-	-	-	-	-	5,718,600	-	-	-	-	-	5,718,600

EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Intangible assets													
<i>Internally generated</i>													
Assets under Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Franchises and Consents	-	-	-	-	-	-	-	-	-	-	-	-	-
Incorporation and Organisational Start-up	-	-	-	-	-	-	-	-	-	-	-	-	-
Patents Licences Copyrights Brand Names and Trademarks	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Development Accumulated Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Recipes Formulae Prototypes Designs and Models	-	-	-	-	-	-	-	-	-	-	-	-	-
Service Operating and Land Rights	-	-	-	-	-	-	-	-	-	-	-	-	-
Franchises and Consent	-	-	-	-	-	-	-	-	-	-	-	-	-
Mastheads and Publishing Titles	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>													

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Capital Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets under Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software	2,203,151	24,518	-	-	-	-	2,227,669	2,101,260	76,697	-	-	2,177,958	49,712
Franchises and Consents	-	-	-	-	-	-	-	-	-	-	-	-	-
Incorporation and Organisational Start-up	-	-	-	-	-	-	-	-	-	-	-	-	-
Patents Licences Copyrights Brand Names and Trademarks	-	-	-	-	-	-	-	-	-	-	-	-	-
Recipes Formulae Prototypes Designs and Models	-	-	-	-	-	-	-	-	-	-	-	-	-
Service Operating and Land Rights	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,203,151	24,518	-	-	-	-	2,227,669	2,101,260	76,697	-	-	2,177,958	49,712
Total Asset Register	2,193,393,209	22,629,800	-	54,652,025	-	(2,181,849)	2,268,493,184	1,479,593,257	58,959,200	-	(1,980,126)	1,536,572,331	731,920,854

APPENDIX C
EMTHANJENI LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	1,402,211	5,775	-	-	(29,296)	1,378,690	646,183	214,636	-	(28,619)	832,199	546,491
Finance and Administration	3,618,013	16,665	-	-	(434,022)	3,200,656	2,220,765	482,959	-	(397,251)	2,306,474	894,182
Planning and Development	219,061,836	-	10,555,248	-	(327,974)	229,289,110	118,604,260	8,252,421	-	(262,415)	126,594,266	102,694,843
Community and Social Services	4,859,906	24,978	-	-	(246,946)	4,637,938	3,704,339	231,901	-	(241,770)	3,694,469	943,469
Health	16,342	-	-	-	(12,642)	3,700	15,915	46	-	(12,642)	3,319	381
Housing	14,271,890	25,239	-	-	(785,112)	13,512,017	8,474,496	543,304	-	(694,688)	8,323,112	5,188,905
Roads and Transport	418,871,390	20,287,255	1,578,583	-	(44,880)	440,692,349	290,474,705	12,964,556	-	(42,487)	303,396,774	137,295,575
Electricity	1,034,076,016	1,940,618	3,113,131	-	-	1,039,129,765	713,562,217	22,246,705	-	-	735,808,922	303,320,843
Waste Management	139,088,571	-	12,921,581	-	-	152,010,152	84,879,415	5,720,238	-	-	90,599,653	61,410,499
Water	343,246,011	304,750	26,483,482	-	(300,978)	369,733,266	254,909,701	8,225,737	-	(300,253)	262,835,185	106,898,080
Total	2,178,512,184	22,605,282	54,652,025	-	(2,181,849)	2,253,587,642	1,477,491,996	58,882,502	-	(1,980,126)	1,534,394,373	719,193,269

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

2019 Actual Income	2019 Actual Expenditure	2019 Surplus/ (Deficit)	Description	2020 Actual Income	2020 Actual Expenditure	2020 Surplus/ (Deficit)
R	R	R		R	R	R
3,743,939	(24,132,750)	(20,388,812)	Executive and Council	5,762,447	(9,201,195)	(3,438,749)
54,695,355	(47,717,744)	6,977,610	Finance and Administration	67,239,119	(52,382,654)	14,856,465
1,002,586	(19,265,122)	(18,262,536)	Planning and Development	568,767	(16,721,958)	(16,153,191)
1,120	(32,191)	(31,071)	Health	832	(5,180)	(4,348)
1,546,053	(18,457,166)	(16,911,113)	Community and Social Services	2,281,697	(18,047,949)	(15,766,251)
713,279	(3,235,158)	(2,521,879)	Housing	713,648	(3,645,431)	(2,931,783)
16,632,682	(7,651,270)	8,981,412	Public Safety	8,592,554	(7,857,257)	735,296
115,187	(4,872,780)	(4,757,592)	Sport and Recreation	167,373	(4,660,206)	(4,492,834)
-	-	-	Environmental Protection			-
32,986,928	(42,766,145)	(9,779,217)	Waste Management	33,410,927	(41,060,733)	(7,649,806)
9,796,848	(21,993,473)	(12,196,626)	Roads and Transport	16,222,034	(21,576,612)	(5,354,578)
40,471,886	(40,059,442)	412,443	Water	53,176,449	(22,003,972)	31,172,477
82,329,564	(102,408,849)	(20,079,285)	Electricity	86,347,790	(112,485,327)	(26,137,537)
-	(1,188,040)	(1,188,040)	Other	290	(1,203,286)	(1,202,995)
244,035,426	(333,780,132)	(89,744,706)	Total	274,483,927	(310,851,760)	(36,367,832)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(1)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2020

Description	2020										2019				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.L.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE - STANDARD	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Governance and Administration:															
Executive and Council	4,955,185	22,147	4,977,332	-	-	4,977,332	5,762,447	-	785,115	16.29%	15.77%	-	-	-	3,743,939
Finance and Administration	55,119,528	(4,772,913)	50,346,615	-	-	50,346,615	67,239,119	-	16,892,504	21.99%	33.55%	-	-	-	54,695,355
Community and Public Safety:															
Community and Social Services	1,601,676	(23,394)	1,578,282	-	-	1,578,282	2,281,697	-	703,415	42.46%	44.57%	-	-	-	1,546,053
Sport and Recreation	12,125,943	(4,089,040)	8,036,903	-	-	8,036,903	167,373	-	(7,869,530)	(98.62)%	(97.92)%	-	-	-	115,187
Public Safety	6,348,569	5,000,000	11,348,569	-	-	11,348,569	8,592,554	-	(2,756,015)	35.35%	(24.29)%	-	-	-	16,632,882
Housing	49,214	-	49,214	-	-	49,214	713,648	-	664,434	1350.09%	1350.09%	-	-	-	713,279
Health	-	-	-	-	-	-	832	-	832	#DIV/0!	#DIV/0!	-	-	-	1,120
Economic and Environmental Services:															
Planning and Development	2,502,850	12,433,150	14,936,000	-	-	14,936,000	568,767	-	(14,367,233)	(77.28)%	(96.19)%	-	-	-	1,002,586
Road Transport	540,387	-	540,387	-	-	540,387	16,222,034	-	15,681,647	2901.93%	2901.93%	-	-	-	9,796,848
Trading Services:															
Electricity	95,303,707	6,131,084	101,434,791	-	-	101,434,791	86,347,790	-	(15,087,001)	(9.40)%	(14.87)%	-	-	-	82,329,564
Water	41,053,408	24,028,686	65,082,094	-	-	65,082,094	53,176,449	-	(11,905,645)	29.53%	(18.29)%	-	-	-	40,471,886
Waste Management	62,617,737	(8,986,552)	53,631,185	-	-	53,631,185	33,410,927	-	(20,220,258)	(46.64)%	(37.70)%	-	-	-	32,986,926
Other:															
Other	-	-	-	-	-	-	290	-	290	100.00%	100.00%	-	-	-	-
Total Revenue - Standard	282,218,204	29,743,168	311,961,372	-	-	311,961,372	274,483,927	-	(37,477,445)	(13.28)%	(12.01)%	-	-	-	244,035,426
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	16,109,015	(264,793)	15,844,222	-	-	15,844,222	9,201,195	-	(6,643,027)	(42.88)%	(41.93)%	-	-	-	24,132,750
Finance and Administration	38,797,373	(3,873,196)	34,924,177	-	-	34,924,177	52,382,654	-	17,458,477	35.02%	49.99%	-	-	-	47,717,744
Community and Public Safety:															
Community and Social Services	14,102,259	(836,292)	13,265,967	-	-	13,265,967	18,047,949	-	4,781,982	27.98%	36.05%	-	-	-	18,457,166
Sport and Recreation	4,958,741	(215,321)	4,743,420	-	-	4,743,420	4,660,206	-	(83,214)	(6.02)%	(1.75)%	-	-	-	4,872,780
Public Safety	9,913,207	(529,533)	9,383,674	-	-	9,383,674	7,857,257	-	(1,526,417)	(20.74)%	(16.27)%	-	-	-	7,651,270
Housing	2,475,113	26,297	2,501,410	-	-	2,501,410	3,645,431	-	1,144,021	47.28%	45.74%	-	-	-	3,235,158
Environmental Protection	165,003	3,700	168,703	-	-	168,703	-	-	(168,703)	100.00%	100.00%	-	-	-	-
Health	-	-	-	-	-	-	5,180	-	5,180	#DIV/0!	#DIV/0!	-	-	-	32,191
Economic and Environmental Services:															
Planning and Development	14,189,130	(2,243,478)	11,945,652	-	-	11,945,652	16,721,958	-	4,776,306	17.85%	39.98%	-	-	-	19,265,122
Road Transport	16,489,539	1,330,110	17,819,649	-	-	17,819,649	21,576,612	-	3,756,963	30.85%	21.08%	-	-	-	21,993,473
Trading Services:															
Electricity	88,174,136	234,258	88,408,394	-	-	88,408,394	112,485,327	-	24,076,933	27.57%	27.23%	-	-	-	102,408,849
Water	14,706,989	1,456,258	16,163,247	-	-	16,163,247	22,003,972	-	5,840,725	49.62%	36.14%	-	-	-	40,059,442
Waste Management	23,687,543	3,177,274	26,864,817	-	-	26,864,817	41,060,733	-	14,195,916	73.34%	52.84%	-	-	-	42,766,145
Other:															
Other	1,382,621	702,969	2,085,590	-	-	2,085,590	1,203,286	-	(882,304)	(12.97)%	(42.30)%	-	-	-	1,188,040
Total Expenditure - Standard	245,150,669	(1,031,747)	244,118,922	-	-	244,118,922	310,851,760	-	66,732,838	27.22%	27.34%	-	-	-	333,780,132
Surplus/(Deficit) for the year	37,067,535	30,774,915	67,842,450	-	-	67,842,450	(36,367,832)	-	(104,210,282)	(281.14)%	(153.61)%	-	-	-	(89,744,706)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(2)

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2020

Description	2020										2019			
	Original	Budget	Final	Shifting	Virement	Actual	Unauthorised	Variance	Actual Outcome	Actual Outcome	Reported	Expenditure	Balance	Restated
	Total	Adjustments	Adjustments	of		Outcome	Expenditure		as % of	as % of	Unauthorised	authorised	to be	Audited
	Budget		Budget	Funds		Budget			Final Budget	Original Budget	Expenditure	I.o. Sect 32	Recovered	Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE														
Vote 1 - Executive and Council	4,955,185	22,147	4,977,332	-	-	4,977,332	5,762,447	-	785,115	16.29%	15.77%	-	-	3,743,939
Vote 2 - Finance and Administration	55,119,528	(4,772,913)	50,346,615	-	-	50,346,615	67,239,119	-	16,892,504	21.99%	33.55%	-	-	54,695,355
Vote 3 - Planning and Development	2,502,850	12,433,150	14,936,000	-	-	14,936,000	568,767	-	(14,367,233)	(77.28)%	(96.19)%	-	-	1,002,586
Vote 4 - Health	-	-	-	-	-	-	832	-	832	#DIV/0!	-	-	-	1,120
Vote 5 - Community and Social Services	1,601,676	(23,394)	1,578,282	-	-	1,578,282	2,281,697	-	703,415	42.46%	44.57%	-	-	1,546,053
Vote 6 - Public Safety	6,348,569	5,000,000	11,348,569	-	-	11,348,569	8,592,554	-	(2,756,015)	35.35%	(24.29)%	-	-	16,632,682
Vote 7 - Sports and Recreation	12,125,943	(4,089,040)	8,036,903	-	-	8,036,903	167,373	-	(7,869,530)	(98.62)%	(97.92)%	-	-	115,187
Vote 8 - Road Transport	540,387	-	540,387	-	-	540,387	16,222,034	-	15,681,647	2901.93%	2901.93%	-	-	9,796,848
Vote 9 - Other	-	-	-	-	-	-	290	-	290	100.00%	100.00%	-	-	-
Vote 10 - Housing Services	49,214	-	49,214	-	-	49,214	713,648	-	664,434	1350.09%	1350.09%	-	-	713,279
Vote 11 - Waste Management	44,927,287	(10,998,085)	33,929,202	-	-	33,929,202	12,039,749	-	(21,889,453)	(73.20)%	(64.52)%	-	-	-
Vote 12 - Waste Water Management	17,690,450	2,011,533	19,701,983	-	-	19,701,983	21,371,179	-	1,669,196	20.81%	8.47%	-	-	32,986,928
Vote 13 - Electricity	95,303,707	6,131,084	101,434,791	-	-	101,434,791	86,347,790	-	(15,087,001)	(9.40)%	(14.87)%	-	-	82,329,564
Vote 14 - Water	41,053,408	24,028,686	65,082,094	-	-	65,082,094	53,176,449	-	(11,905,645)	29.53%	(18.29)%	-	-	40,471,886
Total Revenue by Vote	282,218,204	29,743,168	311,961,372	-	-	311,961,372	274,483,927	-	(37,477,445)	(13.28)%	(12.01)%	-	-	244,035,426
EXPENDITURE BY VOTE														
Vote 1 - Executive and Council	16,109,015	(264,793)	15,844,222	-	-	15,844,222	9,201,195	-	(6,643,027)	(42.88)%	(41.93)%	-	-	24,132,750
Vote 2 - Finance and Administration	38,797,373	(3,873,196)	34,924,177	-	-	34,924,177	52,382,654	-	17,458,477	35.02%	49.99%	-	-	47,717,744
Vote 3 - Planning and Development	14,189,130	(2,243,478)	11,945,652	-	-	11,945,652	16,721,958	-	4,776,306	17.85%	39.98%	-	-	19,265,122
Vote 4 - Health	-	-	-	-	-	-	5,180	-	5,180	#DIV/0!	#DIV/0!	-	-	32,191
Vote 5 - Community and Social Services	14,102,259	(836,292)	13,265,967	-	-	13,265,967	18,047,949	-	4,781,982	27.98%	36.05%	-	-	18,457,166
Vote 6 - Public Safety	9,913,207	(529,533)	9,383,674	-	-	9,383,674	7,857,257	-	(1,526,417)	(20.74)%	(16.27)%	-	-	7,651,270
Vote 7 - Sports and Recreation	4,958,741	(215,321)	4,743,420	-	-	4,743,420	4,660,206	-	(83,214)	(6.02)%	(1.75)%	-	-	4,872,780
Vote 8 - Road Transport	16,489,539	1,330,110	17,819,649	-	-	17,819,649	21,576,612	-	3,756,963	30.85%	21.08%	-	-	21,993,473
Vote 9 - Other	1,547,624	706,669	2,254,293	-	-	2,254,293	1,203,286	-	(1,051,007)	(22.25)%	(46.62)%	-	-	1,188,040
Vote 10 - Housing Services	2,475,113	26,297	2,501,410	-	-	2,501,410	3,645,431	-	1,144,021	47.28%	45.74%	-	-	3,235,158
Vote 11 - Waste Management	11,906,377	1,913,417	13,819,794	-	-	13,819,794	13,423,729	-	(396,065)	12.74%	(2.87)%	-	-	-
Vote 12 - Waste Water Management	11,781,166	1,263,857	13,045,023	-	-	13,045,023	27,637,004	-	14,591,981	134.59%	111.86%	-	-	42,766,145
Vote 13 - Electricity	88,174,136	234,258	88,408,394	-	-	88,408,394	112,485,327	-	24,076,933	27.57%	27.23%	-	-	102,408,849
Vote 14 - Water	14,706,989	1,456,258	16,163,247	-	-	16,163,247	22,003,972	-	5,840,725	49.62%	36.14%	-	-	40,059,442
Total Expenditure by Vote	245,150,669	(1,031,747)	244,118,922	-	-	244,118,922	310,851,760	-	3,931,942	1.60%	1.61%	-	-	333,780,132
Surplus/(Deficit) for the year	37,067,535	30,774,915	67,842,450	-	-	67,842,450	(36,367,832)	-	(41,409,387)	(111.71)%	(61.04)%	-	-	(89,744,706)

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E(3)
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

Description	2020										2019				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.L.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Property Rates	33,329,007	2,448,603	35,777,610	-	-	35,777,610	38,685,708	-	2,908,098	16.07%	8.13%	-	-	-	33,191,190
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	795,393	-	795,393	100.00%	#DIV/0!	-	-	-	561,272
Service Charges - Electricity	89,587,235	6,093,212	95,680,447	-	-	95,680,447	82,077,132	-	(13,603,315)	(8.38)%	(14.22)%	-	-	-	75,489,261
Service Charges - Water	35,941,186	500,111	36,441,297	-	-	36,441,297	27,723,708	-	(8,717,589)	(22.86)%	(23.92)%	-	-	-	25,543,341
Service Charges - Sanitation	20,431,410	2,066,319	22,497,729	-	-	22,497,729	13,246,444	-	(9,251,285)	(35.17)%	(41.12)%	-	-	-	12,299,734
Service Charges - Refuse	11,715,554	208,851	11,924,405	-	-	11,924,405	7,034,181	-	(4,890,224)	(39.96)%	(41.01)%	-	-	-	6,420,796
Service Charges - Other	-	-	-	-	-	-	1,218,120	-	1,218,120	#DIV/0!	#DIV/0!	-	-	-	1,055,827
Rental of Facilities and Equipment	1,077,930	-	1,077,930	-	-	1,077,930	775,239	-	(302,691)	(28.08)%	(28.08)%	-	-	-	842,017
Interest Earned - External Investments	2,055,940	-	2,055,940	-	-	2,055,940	1,813,555	-	(242,385)	(11.79)%	(11.79)%	-	-	-	1,954,749
Interest Earned - Outstanding Debtors	1,428,061	148,849	1,576,910	-	-	1,576,910	1,776,613	-	199,703	24.41%	12.66%	-	-	-	1,506,328
Fines	4,598,203	4,999,997	9,598,200	-	-	9,598,200	8,390,815	-	(1,207,385)	82.48%	(12.58)%	-	-	-	13,631,692
Licenses and Permits	2,258,808	-	2,258,808	-	-	2,258,808	698,713	-	(1,560,095)	(69.07)%	(69.07)%	-	-	-	1,281,203
Public contributions	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Transfers Recognised - Operational	49,795,850	(9,710,850)	40,085,000	-	-	40,085,000	49,404,733	-	9,319,733	(0.79)%	23.25%	-	-	-	46,292,156
Other Revenue	1,368,637	-	1,368,637	-	-	1,368,637	2,643,452	-	1,274,815	93.14%	93.14%	-	-	-	1,494,826
Gains on Other Operations	-	-	-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	112,313
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	253,587,821	6,755,092	260,342,913	-	-	260,342,913	236,283,806	-	(24,059,106)	(9.49)%	(9.24)%	-	-	-	221,676,705
Expenditure															
Employee Related Costs	88,622,363	(6,309,755)	82,312,608	-	-	82,312,608	86,432,105	-	4,119,497	(2.47)%	5.00%	-	-	-	81,663,841
Remuneration of Councilors	6,935,674	(304,712)	6,630,962	-	-	6,630,962	5,719,058	-	(911,904)	(17.54)%	(13.75)%	-	-	-	5,502,117
Operating Lease expenditure	-	-	-	-	-	-	4,147,119	-	4,147,119	100.00%	100.00%	-	-	-	85,075
Depreciation and Amortisation	10,174,872	-	10,174,872	-	-	10,174,872	50,171,470	-	39,996,598	393.09%	393.09%	-	-	-	52,757,352
Impairment Losses	7,420,999	-	7,420,999	-	-	7,420,999	47,600,758	-	40,179,759	541.43%	541.43%	-	-	-	62,899,314
Repairs and Maintenance	10,837,832	(3,577,993)	7,259,839	-	-	7,259,839	8,074,853	-	815,014	(25.49)%	11.23%	-	-	-	12,470,616
Finance Costs	2,038,216	-	2,038,216	-	-	2,038,216	3,923,099	-	1,884,883	92.48%	92.48%	-	-	-	14,277,284
Bulk Purchases	74,329,184	(3,000,000)	71,329,184	-	-	71,329,184	70,126,146	-	(1,203,038)	(5.65)%	(1.69)%	-	-	-	62,705,633
Contracted Services	23,501,248	(2,345,025)	21,156,223	-	-	21,156,223	-	-	(21,156,223)	(100.00)%	(100.00)%	-	-	-	-
Grants and Subsidies Paid	1,913,000	-	1,913,000	-	-	1,913,000	-	-	(1,913,000)	100.00%	100.00%	-	-	-	-
General Expenses	22,390,922	4,693,638	27,084,560	-	-	27,084,560	34,449,161	-	7,364,601	53.85%	27.19%	-	-	-	40,608,375
Loss on other operations	-	-	-	-	-	-	1,519	-	1,519	100.00%	100.00%	-	-	-	808,936
Loss on Disposal of PPE	-	-	-	-	-	-	201,723	-	201,723	#DIV/0!	#DIV/0!	-	-	-	-
Loss on Sale of Land	-	-	-	-	-	-	4,750	-	4,750	100.00%	100.00%	-	-	-	1,589
Total Expenditure	248,164,310	(10,843,847)	237,320,463	-	-	237,320,463	310,851,760	-	73,531,297	29.63%	30.98%	-	-	-	333,780,132
Surplus/(Deficit)	5,423,511	17,598,939	23,022,450	-	-	23,022,450	(74,567,953)	-	(97,590,403)	(1799.40)%	(423.89)%	-	-	-	(112,103,427)
Transfers Recognised - Capital	29,784,150	15,035,850	44,820,000	-	-	44,820,000	38,200,121	-	(6,619,879)	(22.23)%	(14.77)%	-	-	-	22,358,722
Surplus/(Deficit) for the Year	35,207,661	32,634,789	67,842,450	-	-	67,842,450	(36,367,832)	-	(104,210,282)	(295.99)%	(153.61)%	-	-	-	(89,744,706)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(4)

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2020

Description	2020										2019		Reported Unauthorised Expenditure	Expenditure authorised I.e. Sect 32	Balance to be Recovered	Restated Audited Outcome
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget					
Single-year Expenditure																
Vote 1 - Executive and Council	1,631,250	(1,631,250)	-	-	-	-	5,775	-	5,775	(99.65)%	#DIV/0!	-	-	-	-	612,811
Vote 2 - Finance and Administration	13,809,400	(12,909,400)	900,000	-	-	900,000	16,665	-	(883,336)	(99.88)%	(98.15)%	-	-	-	-	45,384
Vote 3 - Planning and Development	-	-	-	-	-	-	568,374	-	-	100.00%	100.00%	-	-	-	-	786,815
Vote 5 - Community and Social Services	69,000	531,000	600,000	-	-	600,000	24,978	-	(575,022)	(63.80)%	(95.84)%	-	-	-	-	117,979
Vote 6 - Public Safety	30,450	569,550	600,000	-	-	600,000	-	-	(600,000)	100.00%	100.00%	-	-	-	-	15,652
Vote 7 - Sports and Recreation	34,250	7,959,750	7,994,000	-	-	7,994,000	10,320,248	-	2,326,248	30032.11%	29.10%	-	-	-	-	7,252
Vote 8 - Road Transport	27,609,250	(7,741,310)	19,867,940	-	-	19,867,940	2,347,368	-	(17,520,572)	(91.50)%	(88.19)%	-	-	-	-	9,027,249
Vote 9 - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,384
Vote 10 - Housing Services	-	450,000	450,000	-	-	450,000	-	-	(450,000)	100.00%	100.00%	-	-	-	-	-
Vote 11 - Waste Management	9,000	141,000	150,000	-	-	150,000	-	-	(150,000)	100.00%	100.00%	-	-	-	-	8,157
Vote 12 - Waste Water Management	-	300,000	300,000	-	-	300,000	-	-	(300,000)	#DIV/0!	100.00%	-	-	-	-	2,257
Vote 13 - Electricity	1,770,000	2,250,000	4,020,000	-	-	4,020,000	1,378,698	-	(2,641,302)	(22.11)%	(65.70)%	-	-	-	-	3,830,738
Vote 14 - Water	3,910,000	18,700,000	22,610,000	-	-	22,610,000	19,178,283	-	(3,431,717)	390.49%	(15.18)%	-	-	-	-	8,764,765
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Single-year	48,872,600	8,619,340	57,491,940	-	-	57,491,940	33,840,390	-	(23,651,550)			-	-	-	-	23,240,444
Total Capital Expenditure - Vote	48,872,600	8,619,340	57,491,940	-	-	57,491,940	33,840,390	-	(23,651,550)			-	-	-	-	23,240,444
CAPITAL EXPENDITURE - STANDARD																
Governance and Administration:																
Executive and Council	1,631,250	(1,631,250)	-	-	-	-	5,775	-	5,775	(99.65)%	#DIV/0!	-	-	-	-	612,811
Budget and Treasury Office	13,809,400	(12,909,400)	900,000	-	-	900,000	16,665	-	(883,336)	(99.88)%	(98.15)%	-	-	-	-	45,384
Corporate Services	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-	-
Community and Public Safety:																
Community and Social Services	69,000	531,000	600,000	-	-	600,000	24,978	-	(575,022)	(63.80)%	(95.84)%	-	-	-	-	117,979
Sport and Recreation	34,250	7,959,750	7,994,000	-	-	7,994,000	10,320,248	-	2,326,248	30032.11%	29.10%	-	-	-	-	7,252
Public Safety	30,450	569,550	600,000	-	-	600,000	-	-	(600,000)	100.00%	100.00%	-	-	-	-	15,652
Housing Services	-	450,000	450,000	-	-	450,000	-	-	(450,000)	100.00%	100.00%	-	-	-	-	-
Economic and Environmental Services:																
Planning and Development	-	-	-	-	-	-	568,374	-	568,374	100.00%	100.00%	-	-	-	-	786,815
Road Transport	27,609,250	(7,741,310)	19,867,940	-	-	19,867,940	2,347,368	-	(17,520,572)	(91.50)%	(88.19)%	-	-	-	-	9,027,249
Trading Services:																
Electricity	1,770,000	2,250,000	4,020,000	-	-	4,020,000	1,378,698	-	(2,641,302)	(22.11)%	(65.70)%	-	-	-	-	3,830,738
Water	3,910,000	18,700,000	22,610,000	-	-	22,610,000	19,178,283	-	(3,431,717)	390.49%	(15.18)%	-	-	-	-	8,764,765
Waste Management	9,000	441,000	450,000	-	-	450,000	-	-	(450,000)	100.00%	100.00%	-	-	-	-	10,415
Other:																
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,384
Total Capital Expenditure - Standard	48,872,600	8,619,340	57,491,940	-	-	57,491,940	33,840,390	-	(23,651,550)			-	-	-	-	23,240,444
FUNDED BY:																
National Government	29,784,150	13,753,000	43,537,150	-	-	43,537,150	33,767,732	-	(9,769,418)	13.37%	(22.44)%	-	-	-	-	22,358,722
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Recognised - Capital	29,784,150	13,753,000	43,537,150	-	-	43,537,150	33,767,732	-	(9,769,418)	13.37%	(28.93)%	-	-	-	-	22,358,722
Internally Generated Funds	7,088,450	(5,133,660)	1,954,790	-	-	1,954,790	72,658	-	(1,882,132)	(98.97)%	(96.28)%	-	-	-	-	287,367
Borrowings	12,000,000	-	12,000,000	-	-	12,000,000	-	-	(12,000,000)	100.00%	100.00%	-	-	-	-	594,355
Total Capital Funding	48,872,600	8,619,340	57,491,940	-	-	57,491,940	33,840,390	-	(23,651,550)			-	-	-	-	23,240,443

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(5)

20RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	2020		Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	2019
				Actual Outcome	Variance			Audited Outcome
	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property Rates, Penalties and Collection Charges	29,922,978	1,758,471	31,681,449	-	(31,681,449)	(100.00)%	(100.00)%	
Service Charges	142,511,625	(3,850,232)	138,661,392	123,501,417	(15,159,976)	(13.34)%	(10.93)%	131,427,493
Other Revenue	8,290,173	3,786,372	12,076,546	-	(12,076,546)	(100.00)%	(100.00)%	
Government - Operating	49,795,850	(9,710,850)	40,085,000	66,084,328	25,999,328	32.71%	64.86%	94,955,000
Government - Capital	29,784,150	15,035,850	44,820,000	-	(44,820,000)	(100.00)%	(100.00)%	
Interest	2,055,940	1,576,910	3,632,850	1,813,555	(1,819,295)	(11.79)%	(50.08)%	1,954,749
	-	-	-					
Payments								
Suppliers and Employees	(223,603,493)	4,043,987	(219,559,506)	(165,540,175)	54,019,331	(25.97)%	(24.60)%	(182,220,527)
Finance Charges	(2,038,216)	-	(2,038,216)	(7,941,109)	(5,902,893)	289.61%	289.61%	(5,539,842)
Transfers and Grants	-	(1,913,000)	(1,913,000)	-	1,913,000	-	-	
NET CASH FROM / (USED) OPERATING ACTIVITIES	36,719,007	10,727,508	47,446,515	17,918,016	(29,528,499)			40,576,873
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on Disposal of PPE	200,000	-	200,000	-	(200,000)	(100.00)%	(100.00)%	-
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	-	-
Decrease / (Increase) Other Non-current Receivables	-	-	-	-	-	-	-	-
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-
Payments								
Capital Assets	(48,872,600)	(8,619,340)	(57,491,940)	(33,869,657)	23,622,283	(30.70)%	(41.09)%	(23,273,551)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(48,672,600)	(8,619,340)	(57,291,940)	(33,869,657)	23,422,283			(23,273,551)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Increase / (Decrease) in Consumer Deposits	27,823	60,375	88,198	-	(88,198)	(100.00)%	(100.00)%	-
New Loans raised	12,000,000	-	12,000,000	-	(12,000,000)	(100.00)%	(100.00)%	594,355
Payments								
Loans repaid	(527,151)	(429,748)	(956,899)	(1,290,332)	(333,433)	144.77%	34.85%	(3,807,848)
NET CASH FROM / (USED) FINANCING ACTIVITIES	11,500,672	(369,373)	11,131,299	(1,290,332)	(12,421,631)			(3,213,493)
NET INCREASE / (DECREASE) IN CASH HELD	(452,921)	1,738,795	1,285,874	(17,241,974)	(18,527,848)			14,089,829
Cash / Cash Equivalents at the Year begin:	1,279,126	-	1,279,126	17,033,497	15,754,372	1231.65%	1231.65%	2,784,238
Cash / Cash Equivalents at the Year end:	826,205	1,738,795	2,565,000	208,475	(2,356,524)	(74.77)%	(91.87)%	(2,943,667)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received 30 June 2020

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Repayment of funds	Total Receipts	Total Expenses	Unspent Grant	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
				Total	Total	Total		Yes / No	
Equitable Share	Nat Treasury	-		44,899,883	(44,899,883)	-	-	Yes	N/a
Library Grant	Provincial	-		693,000	(693,000)	-	-	Yes	N/a
EPWP	Nat Treasury	(0)		1,220,000	(568,374)	651,625	-	Yes	N/a
MIG	Nat Treasury	175,447	(175,447)	21,710,000	(15,806,797)	5,903,203	-	Yes	N/a
FMG	Nat Treasury	-		1,700,000	(1,700,000)	-	-	Yes	N/a
WSIG	Nat Treasury	2,822,519	(2,822,519)	-	-	-	-	Yes	N/a
RBIG	Nat Treasury	25,079,589	(25,079,589)	21,610,000	(21,610,000)	-	-	Yes	N/a
Covid Relief Grant	Nat Treasury	-		149,000	(149,000)	-	-	-	-
DWA	Provincial	-		-	-	-	-	Yes	N/a
Housing Accreditation	Provincial	-		680,000	(680,000)	-	-	Yes	N/a
Department of Education	Provincial	1,232,100		-	-	1,232,100	-	Yes	N/a
Department of Roads	Provincial	-		-	-	-	-	Yes	N/a
Fire Equipment	Provincial	-		-	-	-	-	Yes	N/a
INEP	Nat Treasury	-		1,500,000	(1,497,800)	2,200	-	Yes	N/a
Total Grants and Subsidies Received		29,309,655	(28,077,555)	94,161,883	(87,604,854)	7,789,129			

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2020

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R	R
Mayor Sihonga ST	-	611,010	-	239,458	7,254	857,722
Speaker Kivedo MC	-	488,807	-	200,446	5,481	694,734
Councillors						
HJ Rust	-	251,501	-	68,400	2,004	321,905
WJ Du Plessis	-	193,362	-	106,129	1,972	301,463
PD Van Wyk	-	193,362	-	106,985	2,382	302,729
LE Andrews	-	193,362	-	106,985	2,382	302,729
SJ Hoffman	-	193,362	-	106,985	2,382	302,729
L Billie	-	248,149	-	123,619	2,937	374,705
RR Faul	-	193,362	-	106,129	2,379	301,870
MO Maramba	-	193,362	-	106,985	2,636	302,983
PP Mhlauti	-	193,362	-	106,985	2,382	302,729
D Vanel	-	193,362	-	106,129	2,379	301,870
CJ Louw	-	240,175	-	121,075	2,842	364,091
PN Bushula	-	193,362	-	106,129	2,633	302,124
NP Mkontwana	-	255,648	-	126,013	3,014	384,675
Total for Councillors	-	3,835,551	-	1,838,449	45,058	5,719,058
Municipal Manager Visser I	-	835,240	267,093	404,191	160,017	1,666,542
Chief Financial Officer Ludwick MR	16,249	172,523	25,556	148,431	17,044	379,804
Jack JP	24,575	184,764	-	49,012	47,495	305,845
Manuel MF	-	298,042	-	68,583	2,742	369,367
Director: Community Services Joka HM	-	520,936	147,710	264,475	151,558	1,084,679
Director: Corporate Services Msengana TW	-	765,203	231,395	316,270	48,308	1,361,176
Director: Infrastructure and Technical Services Owies MJV	18,259	596,302	167,128	283,854	166,281	1,231,823
Total for Senior Managers	59,082	3,373,011	838,882	1,534,816	593,446	6,399,237
Total for Management	59,082	7,208,562	838,882	3,373,264	638,504	12,118,295

30 June 2019

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R	R
Mayor Sihonga ST	-	581,298	-	238,165	6,289	825,751
Speaker Kivedo MC	-	465,038	-	199,413	5,384	669,835
Councillors						
AF Jaftha	-	137,714	-	71,805	1,338	210,858
HJ Rust	-	300,289	-	68,400	2,139	370,828
WJ Du Plessis	-	183,960	-	105,720	2,038	291,718
PD Van Wyk	-	183,960	-	105,720	2,504	292,184
LE Andrews	-	183,960	-	105,720	2,504	292,184
SJ Hoffman	-	183,960	-	105,720	2,504	292,184
L Billie	-	201,334	-	111,511	2,698	315,543
RR Faul	-	183,960	-	105,720	2,504	292,184
MO Maramba	-	183,960	-	105,720	2,774	292,454
PP Mhlauti	-	183,960	-	105,720	2,504	292,184
D Vanel	-	183,960	-	105,720	2,504	292,184
CJ Louw	-	183,960	-	105,720	2,504	292,184
PN Bushula	-	68,678	-	38,633	679	107,990
NP Mkontwana	-	243,217	-	125,472	3,167	371,856
Total for Councillors	-	3,653,211	-	1,804,877	44,029	5,502,117
Municipal Manager Visser I	-	803,623	109,642	401,787	158,755	1,473,807
Chief Financial Officer Ludwick MR	-	525,732	67,598	430,826	50,010	1,074,166
Director: Community Services Joka HM	-	406,456	40,571	221,382	81,296	749,705
Apples CP	38,923	121,179	-	27,383	36,801	224,286
Director: Corporate Services Msengana TW	23,375	559,223	124,262	284,274	162,879	1,154,012
Director: Infrastructure and Technical Services Owies MJV	-	783,153	112,830	163,010	152,587	1,211,580
Total for Senior Managers	62,297	3,199,365	454,903	1,528,661	642,329	5,887,555
Total for Management	62,297	6,852,576	454,903	3,333,538	686,358	11,389,672

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2020	2019	
1. FINANCIAL POSITION						
A. Asset Management / Utilisation						
1.	Capital Expenditure to Total Expenditure	10% - 20%		15.35%	7.50%	The Municipality financed acquisitions through an external loan (finance lease).
			Total Operating Expenditure	310,851,760	333,780,132	
			Taxation Expense	-	-	
			Total Capital Expenditure	56,373,013	27,073,720	
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		1.21%	0.20%	The Impairment figure reported is immaterial and is the result of assets being damaged during the normal course of business.
			PPE, Investment Property & Intangible Impairment	8,787,730	1,497,751	
			PPE at Carrying Value	719,193,271	744,437,107	
			IP at Carrying Value	5,718,600	5,718,600	
			Intangible Assets at Carrying Value	49,711	101,890	
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		1.11%	1.66%	As a number of Infrastructure Assets are new, the required maintenance on these items are not yet as high as it will be later in their useful lives.
			Total Repairs and Maintenance Expenditure	8,074,853	12,470,616	
			PPE at Carrying Value	719,193,271	744,437,107	
			Investment Property at Carrying Value	5,718,600	5,718,600	
B. Debtors Management						
1.	Collection Rate	95%		35.99%	88.17%	Management is attempting to increase the recoverability rate and as part of this numerous debtor accounts have been written off in the 2019 year.
			Gross Debtors Closing Balance	203,488,281	153,559,689	
			Gross Debtors Opening Balance	153,559,689	135,340,778	
			Bad Debts Written-off	58,874,224	-	
			Billed Revenue	169,985,293	154,000,149	
2.	Bad Debts Written-off as % of Provision for Bad Debt	100%		38.26%	0.00%	
			Consumer Debtors Bad Debts Written-off	58,874,224	-	
			Consumer Debtors Current Bad Debt Provision	153,876,508	120,040,431	
3.	Net Debtors Days	30 Days		107 Days	79 Days	Management is attempting to increase the recoverability rate and as part of this numerous debtor accounts have been written off in the 2019 year.
			Gross Debtors	203,488,281	153,559,689	
			Bad Debts Provision	153,876,508	120,040,431	
			Billed Revenue	169,985,293	154,000,149	
C. Liquidity Management						
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months		0 Months	-1 Months	As required by the MFMA, management is committed to pay outstanding debt within the 30 day legislative deadline.
			Cash and Cash Equivalents	21,764,106	35,430,721	
			Unspent Conditional Grants	7,789,129	29,309,656	
			Overdraft	21,972,581	18,397,223	
			Short-term Investments	-	-	
			Total Annual Operational Expenditure	212,873,059	217,312,942	
2.	Current Ratio	1.5 - 2:1		0.89	1.00	
			Current Assets	153,737,461	144,350,704	
			Current Liabilities	172,156,326	144,029,982	
C. Liability Management						
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		-0.85%	-0.84%	
			Interest Paid	1,208,591	1,208,591	
			Redemption	(3,026,003)	(3,026,003)	
			Total Operating Expenditure	212,873,059	217,312,942	
			Taxation Expense	-	-	
2.	Debt (Total Borrowings) / Revenue	45%		0.11%	4.39%	
			Total Debt	240,852	8,135,368	
			Total Operating Revenue	274,483,927	225,726,576	
			Operational Conditional Grants	49,404,733	40,220,691	
C. Sustainability						
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		100.00%	100.00%	
			Cash and Cash Equivalents	21,764,106	10,702,493	
			Bank Overdraft	21,972,581	7,254,599	
			Unspent Grants	7,789,129	3,857,622	
			Net Assets	640,469,520	822,624,448	
			Accumulated Surplus	640,469,520	822,624,448	

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2020	2019	
2. FINANCIAL PERFORMANCE						
A. Efficiency						
1. Net Operating Surplus Margin	= or > 0%			22.45%	-22.79%	
		Total Operating Revenue	274,483,927	225,726,576		
		Depreciation - Revalued Portion	-	-		
		Total Operating Expenditure	212,873,059	277,172,986		
		Taxation Expense	-	-		
2. Net Surplus / Deficit Electricity	0% - 15%			-30.27%	-24.39%	
		Total Electricity Revenue	86,347,790	82,329,564		
		Total Electricity Expenditure	112,485,327	102,408,849		
3. Net Surplus / Deficit Water	= or > 0%			58.62%	1.02%	
		Total Water Revenue	53,176,449	40,471,886		
		Total Water Expenditure	22,003,972	40,059,442		
4. Net Surplus / Deficit Refuse	= or > 0%			-22.90%	-29.65%	
		Total Waste Management	33,410,927	32,986,928		
		Total Waste Management	41,060,733	42,766,145		
B. Distribution Losses						
1. Electricity Distribution Losses (Percentage)	7% - 10%			22.62%	19.62%	
		Number of Units Purchased and/or Generated	56,375,147	58,223,924		
		Number of Units Sold	43,624,762	46,800,334		
2. Water Distribution Losses (Percentage)	15% - 30%			27.63%	32.97%	The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repairs as soon as they
		Number of Kiloliters Purchased and/or Purified	2,481,703	2,160,715		
		Number of Kiloliters Sold	1,795,984	1,448,344		
C. Revenue Management						
1. Growth in Number of Active Consumer Accounts	None			-13.32%	-13.32%	
		Number of Active Debtors Accounts (Previous)	32,154	32,154		
		Number of Active Debtors Accounts (Current)	27,870	27,870		
2. Revenue Growth (%)	= CPI			21.60%	8.31%	
		CPI	21.60%	8.31%		
		Total Revenue (Previous)	225,726,576	208,402,845		
		Total Revenue (Current)	274,483,927	225,726,576		
3. Revenue Growth (%) - Excluding Capital Grants	= CPI			9.77%	8.24%	
		CPI	9.77%	8.24%		
		Total Revenue, excluding Capital Grants (Previous)	215,248,757	198,864,267		
		Total Revenue, excluding Capital Grants (Current)	236,283,806	215,248,757		
D. Expenditure Management						
1. Creditors Payment Period (Trade Creditors)	30 Days			362 Days	267 Days	
		Trade Creditors	111,829,647	70,355,195		
		Contracted Services	-	-		
		Repairs and Maintenance	8,074,853	12,224,938		
		General Expenses	34,449,161	24,950,763		
		Bulk Purchases	70,126,146	59,027,026		
2. Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%			35.77%	31.18%	
		Irregular, Fruitless & Wasteful and Unauthorised Expenditure	76,141,981	86,428,124		
		Total Operating Expenditure	212,873,059	277,172,986		
		Taxation Expense	-	-		
3. Remuneration as % of Total Operating Expenditure	25% - 40%			43.29%	26.45%	
		Employee / Personnel Related Cost	86,432,105	68,489,476		
		Councilors Remuneration	5,719,058	4,835,161		
		Total Operating Expenditure	212,873,059	277,172,986		
		Taxation Expense	-	-		
4. Contracted Services % of Total Operating Expenditure	2% - 5%			0.00%	3.02%	
		Contracted Services	-	8,358,489		
		Total Operating Expenditure	212,873,059	277,172,986		
		Taxation Expense	-	-		

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX H
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2020	2019	
E. Grant Dependency						
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None		0.13%	51.45%	
			Internally Generated Funds	72,658	856,461	
			Borrowings	-	9,497,458	
			Total Capital Expenditure	56,373,013	20,125,465	
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		0.13%	4.26%	
			Internally Generated Funds	72,658	856,461	
			Total Capital Expenditure	56,373,013	20,125,465	
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None		79.09%	81.31%	
			Total Revenue	274,483,927	225,726,576	
			Government Grant and Subsidies	87,604,854	50,698,510	
			Public Contributions and Donations	-	-	
			Capital Grants	38,200,121	10,477,819	
3. BUDGET IMPLEMENTATION						
A. Efficiency						
1.	Capital Expenditure Budget Implementation Indicator	95% - 100%		98.05%	109.74%	A significant amount of grants was unspent at yearend due to the date of which it was received. The municipality does not budget for unspent grants.
			Actual Capital Expenditure	56,373,013	20,125,465	
			Budgeted Capital Expenditure	57,491,940	18,339,247	
2.	Operating Expenditure Budget Implementation Indicator	95% - 100%		89.70%	127.54%	The unfavorable ratio is due to non-cash items, such as depreciation and impairment losses being recognised, which was not fully budgeted for.
			Actual Operating Expenditure	212,873,059	277,172,986	
			Budgeted Operating Expenditure	237,320,463	217,318,184	
3.	Operating Revenue Budget Implementation Indicator	95% - 100%		89.95%	98.48%	
			Actual Operating Revenue	274,483,927	225,726,576	
			Budgeted Operating Revenue	305,162,913	229,203,454	
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		84.02%	105.00%	More revenue generated than budgeted for.
			Actual Service Charges and Property Rates Revenue	169,985,293	149,481,257	
			Budgeted Service Charges and Property Rates Revenue	202,321,488	142,358,563	
Interpretation of Results:						
	The green colour indicates that the result is within the norm and is acceptable.					
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.					
	Data should be captured in the blue coloured cell to calculate a ratio.					
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.					